

Report on implementation of the Association Agenda and the Association Agreement between the European Union and Ukraine

January – October 2015



Secretariat of the Cabinet of Ministers of Ukraine

Government Office for European Integration

PROGRESS IN IMPLEMENTATION OF THE ASSOCIATION AGENDA AND THE ASSOCIATION AGREEMENT BETWEEN THE EU AND UKRAINE

November 5, 2015¹

The Association Agreement (AA) and Association Agenda (AAg) between the European Union and Ukraine envisage the monitoring and the assessment of the Agreement, which parties can conduct jointly or separately. The report is the assessment of the Ukrainian side and has been prepared for the meeting of the Association Council.

The report provides an overview of the most important events and results of the AAg and the AA, which took place during January - October 2015. Furthermore, the document embraces other significant development related to the European integration policy.

The structure of the report corresponds to the structure of the Association Agenda and is supplemented by other matters regarding the implementation of both Association Agenda and Association Agreement.

Over sixty public authorities involved in the European integration process provided relevant information, which has been carefully analyzed and presented in this report.

The report aims at informing citizens of Ukraine, representatives of non-governmental organizations and the international community, including the EU institutions and its Member States, on Ukraine's progress in implementing the goals of political association and economic integration with the EU. It also gives rise to discussion and analysis of the public authorities' performance in this regard.

The novelties of the report are the examples of the successful involvement of international technical assistance in the Ukrainian reform process. Such assistance is allocated to perform tasks in the field of European integration and to implement Association Agreement.

Finally, the document summarizes the main further steps which Ukrainian government will take to continue the implementation of the Association Agenda and Association Agreement, including the draft laws registered at the Verkhovna Rada of Ukraine.

¹ As for the results in certain areas information is provided as of 15 November 2015

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MAIN ACHIEVEMENTS

Priorities of the Association Agenda

Constitutional reform

➤ The Verkhovna Rada preliminary approved the draft Law of Ukraine «On Amendments the Constitution of Ukraine (regarding the Decentralization of Powers)».

Election reform

➤ The Laws of Ukraine are adopted:

- «On Local Elections» (№ 595-VIII);
- «On Amendments to certain Laws of Ukraine concerning the organization of the first elections to the Local Councils and the elections of mayors of villages, towns and cities» (№ 676-VIII);
- «On Amendments to certain Laws of Ukraine regarding prevention and fight against political corruption»;
- «On Amendment to the Article 87 of the Budget Code of Ukraine (regarding the financing of the political parties)».

➤ On October 25, 2015, the elections to the local councils and of mayors of villages, towns and cities took place in Ukraine and were positively assessed by the international observers.

Preventing and combating corruption

➤ The institutions responsible for preventing and fighting corruption are being established:

- National Anti-Corruption Bureau of Ukraine;
- National Agency for Prevention of Corruption;
- Specialized Anti-Corruption Prosecutor's Office.

➤ The Laws of Ukraine are adopted:

- «On Amendments to certain legislative acts of Ukraine related to ensure the functioning of the National Anti-Corruption Bureau of Ukraine and the National Agency of Ukraine for Prevention of Corruption» (№ 198-VIII);
- «On Amendments to Article 216 of the Criminal Procedure Code of Ukraine clarifying the jurisdiction of the National Anti-Corruption Bureau of Ukraine» (№ 628-VIII);
- «On Amendments to certain legislative acts of Ukraine in connection with the adoption of the Law of Ukraine «On the National Anti-Corruption Bureau of Ukraine» (№ 630-VIII);
- «On Amendments to certain Laws of Ukraine to enhance transparency of the ownership relations in order to prevent corruption» (№ 597-VIII);
- «On Amendments to the Criminal Procedure Code of Ukraine on specific seizure of assets in order to eliminate its usage for corruption purpose»;

- «On amendments to the Criminal and Civil Codes of Ukraine concerning improvements in the field of special confiscation in order to eliminate its usage for corruption purpose» (№ 770-VIII);
 - «On Amendments to the Criminal Procedure Code of Ukraine concerning the implementation by Ukraine of recommendations of the European Union on Visa Liberalisation Action Plan and regarding clarification of sequence of the Preliminary Investigation Bodies» (№ 771-VIII);
 - «On the National Agency of Ukraine entrusted to identify trace and manage assets derived from corruption and other crimes».
- The State Program 2014 – 2017 for Implementation of the Principles of the State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) was adopted.
 - The Law of Ukraine «On Amendments to the Constitution of Ukraine (regarding the Immunity of the MPs and Judges)» was elaborated.

Judicial reform

- The Law of Ukraine «On Prosecutor’s Office» entered into force.
- The Laws of Ukraine are adopted:
 - «On ensuring the right to a fair trial»;
 - «On Amendments to the Law of Ukraine «On Prosecutor’s Office» (on improving the features and application of certain provisions)».
- Judicial Reform Strategy and the Reform of Other Related Legal Institutions 2015-2020 was adopted.
- The Concept of Judicial Reform was approved.
- The draft Laws of Ukraine were elaborated:
 - «On enforcement of proceedings»;
 - «On the institutions and persons engaged in the enforcement of judicial decisions of other institutions».

Public administration reform

- The draft Laws of Ukraine approved in the first reading:
 - «On civil service» (reg. № 2490);
 - «On service in local self-government bodies» (reg. № 2489).
- The draft Strategy on Public Administration Reform in Ukraine 2015 – 2020 and the draft Action Plan on its Implementation for 2015 – 2017 were elaborated.

Deregulation

Creation of a better business environment in Ukraine

- The procedure of monitoring and scientific support for subsoil use was canceled.
- The procedure of registration of the international systems of online payment (PayPal, ApplePay, GoogleWallet, etc.) was simplified.
- The physical removal of IT companies' servers by regulatory authorities was forbidden.
- Working conditions for Ukrainian freelancers who work for foreign clients were simplified.
- The compulsory registration of product sheet for conducting restaurant business was abolished.
- The procedure of state registration of imported baby food and dietary supplements was abolished.
- The compulsory quarantine certificate was abolished.
- The turnaround time of registration of quarantine and phytosanitary certificates was shortened (from 5 to 1 day).

Simplification of procedures for business setting up

- The period of business registration for 2 days was established.
- The period of registration of foreign companies reduced twice: from 60 to 30 working days.
- The state registration of business is simultaneously done with the submission of data for the registration of such person as a taxpayer.
- The requirements for collection of the registration fee for state registration of legal entities and individual – entrepreneur were abolished.

Simplification of licensing procedures

- The list of activities subject to licensing was shorten from 56 to 30.
- The list of licensing authorities was optimized from 33 to 26 authorities.
- The basis for distance, specifically, e-licensing was fixed.
- The possibility of granting licenses for some types of economic activity at the local level were introduced.
- The extortion of data from entities that are place in the public registers was prohibited.
- Free access to the Unified State Register of Legal Entities and Individual Entrepreneurs via the Internet was ensured.
- Issuance of documents through the Administrative Services Centers was introduced.

Increasing the level of legal protection of business entities

- Business ombudsman institution in Ukraine was established.
- The Commissioner for Enterprise institution in Ukraine was established.

Public services

- The web-portal of government services [iGov.org.ua](http://Gov.org.ua) was launched.
- Ministry of Justice provides some services online: issuing statements and extracts from Registers of individuals and entities, the Register of rights to immovable property, as well as registration of legal entities and individual entrepreneurs.

Public Procurement Reform

- The Law of Ukraine [«On Amendments Introduction to some of the Laws of Ukraine in the Sphere of State Procurements with regard to bringing them in line with International Standards and taking actions to overcome the Corruption»](#) was adopted (№ 679-VIII).
- The draft Law of Ukraine «On public procurement» was developed.
- The pilot system of electronic government procurement «ProZorro» has been working.

Tax reform, including VAT refunds

- The Law of Ukraine «On Amendments to the Tax Code of Ukraine concerning improvement of the administration of value added tax» was adopted (№ 643-VIII).
- The conceptual approaches to tax reform in Ukraine were developed.

External audit

- The Accounting Chamber of Ukraine received additional powers and authorities in the sphere of controlling the flow of funds to the state budget (the Law of Ukraine № 274-VIII).
- A new version of the Law of Ukraine «On the Accounting Chamber» was adopted (№ 576-VIII).
- [Methodological recommendations](#) on conducting financial audit by The Accounting Chamber of Ukraine were approved.

Energy sector reform:

- The Law of Ukraine «On Natural Gas Market» (№ 329-VIII) was adopted and entered into force.
- Approved a number of decisions of the Cabinet of Ministers of Ukraine and regulations of NEURC, which aimed on implementation of the new Law on the natural gas market.
- The draft Laws of Ukraine elaborated:
 - «On Amendments to the Tax Code of Ukraine on creating preconditions for a new model of the natural gas market» (reg. № 3073);
 - «On amendments to the Customs Code of Ukraine on creating preconditions for a new model of the natural gas market» (reg. № 3074);
 - «On Amendments to Certain Legislative Acts of Ukraine on creating the conditions for the natural gas market functionality» (reg. № 3325);

- «On the National Commission for State Energy and Public Utilities Regulation» (reg. № 2966);
- «On electricity market of Ukraine».

➤ Adopted the Law of Ukraine «On amendments to some legislative acts of Ukraine on providing transparency in the extractive industries» (№ 521-VIII). The first EITI Report was prepared.

➤ Approved the Plan for the gas sector reform, which envisages the restructuring of «Naftogaz of Ukraine» until 2017 (Resolution of the Cabinet of Ministers of Ukraine № 375).

Political Dialogue

Strengthening local and regional self-government and decentralization

- The Laws of Ukraine are adopted:
 - «On Principles of the State Regional Policy» (№ 156-VIII);
 - «On Voluntary Association of Territorial Communities» (№ 157-VIII);
 - «On Amendments to Certain Legislative Acts of Ukraine Relating to Decentralization of Powers in the Field of Architectural-Construction Control and Improvement of City Planning Legislation» (№ 320-VIII).

Reform of internal affairs bodies

- The Laws of Ukraine are adopted:
 - «On Amendments to Certain Legislative Acts of Ukraine Relating the Reform of Internal Affairs Bodies» (№ 193-VIII);
 - «On the National Police» (№ 580-VIII);
 - «On Probation» (№ 160-VIII);
 - «On the State Bureau of Investigation».

➤ The draft Law of Ukraine «On Provision of Services and Service Centres of the Ministry of Internal Affairs of Ukraine» (reg. № 2567) was elaborated.

Human rights and fundamental freedoms

➤ The National Human Rights Strategy was approved (Decree of the President of Ukraine № 501).

➤ Action Plan on Implementation of the National Human Rights Strategy until 2020 was drafted.

Ensuring democratic standards in freedom of expression

- The Laws of Ukraine are adopted:
 - «On Amendments to Certain Legislative Acts of Ukraine Relating the Strengthening of Guarantees of Legal Journalistic Activity» (№ 421-VIII);
 - «On Amendments to Certain Legislative Acts of Ukraine Relating the Transparency of Ownership of Media and Fulfilment of Principles of the State Policy in the Sphere of Television and Radio Broadcasting» (№ 674-VIII).
- The new draft Law of Ukraine «On Television and Radio Broadcasting» was elaborated.

Ratification of the Statute of the International Criminal Court

- The draft Law of Ukraine «On Amendments to Article 124 of the Constitution of Ukraine (relating to acceptance of the ICC jurisdiction under the Rome Statute)» was elaborated.
- Ratified:
 - Memorandum of understanding between Ukraine and the European Police Office on setting up a special secured communication channel;
 - Agreement between the Cabinet of Ministers of Ukraine, the Government of the Lithuanian Republic and the Government of the Republic of Poland on the establishment of a joint military unit.

Justice, Freedom and Security

Visa regime liberalization

- EU expert missions took place to assess implementation of the Action plan on EU Visa Regime Liberalization for Ukraine (spring, autumn 2015):
 - EC prepares Sixth report on Ukraine's progress in implementing the Action Plan to liberalize the EU visa regime for Ukraine.
- Passport for travel abroad, diplomatic and service passports of Ukraine contactless electronic chip is provided in Ukraine.
- Foreign diplomatic institutions of Ukraine provide passport for travel abroad with contactless electronic chip.
- Purchased 610 sets of biometric identification and special software for terminals for issuing biometric passports is developed. Information and communication infrastructure of Unified Information-Analytical System of Migration Management is creating.

Cooperation on border management, migration and asylum

- Approved the Action Plan of the joint operational organization of the state border with the EU Members States - Poland, the Slovak Republic, Romania and Hungary and the Republic of Moldova (Regulation of Cabinet of Ministers of Ukraine № 695).
- Direct access to Interpol databases obtained.

- Developed drafts of the:
 - Strategy of the State Border Service of Ukraine;
 - Concept of the State law enforcement program «Organisation and Reconstruction of the state border» to 2020.

Cooperation on trafficking, combating drug trafficking, psychotropic and precursors

- Recovered Public Institution «Ukrainian Medical and Monitoring Centre on Drugs and Alcohol, Ministry of Health of Ukraine».

On ensuring rights and freedoms of internally displaced persons

- The Law of Ukraine «On amendments to some laws of Ukraine (concerning the strengthening of social protection of internally displaced persons)».
- Simplified procedure for acquiring the status of registered unemployed persons of forced displaced, their registration and re-registration and providing social services at employment centres.

Trade and trade-related matters
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Market access for goods

- January 1, 2016 is the date of the beginning of implementation of the trade part of the Agreement:
 - Ukrainian customs offices are ready to issue certificates according to form EUR.1 for goods of Ukrainian origin, which are going to be exported to the EU member states in the framework of the Agreement;
 - The order on effective control over the use of tariff quotas is coming into force.
- Developed:
 - Mechanism (specification) of application of special safeguard measures in the form of input price;
 - Mechanism (specification) of application of special safeguard measures under the Agreement concerning certain types of products that are subject to export duty.
- Special measures for import into Ukraine of cars regardless of country of origin and export (decision entered into force on 30 September 2015) were cancelled.
- The draft Law of Ukraine «On recognizing void the Law of Ukraine «On measures to stabilize the balance of payments of Ukraine in accordance with Article XII of the General Agreement on Tariffs and Trade 1994» (abolition of the additional import duty).

Technical regulation

- The Law of Ukraine «On Technical Regulations and Conformity Assessment» (№ 124-VIII) was adopted.
- The Strategy of Development of Technical Regulation for the period to 2020 and action plan for implementation of the Strategy were approved.
- The national standardization body was designated in accordance with the European practice.
- Mandatory certification for 16 categories of goods (fuel, pipes, pipefittings and small-sized tractors, consumer industry) was abolished.

Sanitary and Phytosanitary Measures

Legal approximation

- In order to implement the Law of Ukraine № 1648-VII «On amendments to some legislative acts of Ukraine concerning the identification and registration of animals» and the Law of Ukraine № 1602-VII «On amendments to certain legislative acts of Ukraine regarding food» a number of legal acts are being completed².

However, the Ministry of Agrarian Policy and Food of Ukraine adopted a decree on September 11, 2015 № 354 «On approval of the protocol on violation of legislation on individual safety and food quality indicators» (registered in the Ministry of Justice of Ukraine on September 28, 2015 № 1154/27599).

- The Law of Ukraine «On the animal by-products not intended for human consumption» (№ 287-VIII) was adopted.

The Law provides for:

- principles, priorities and key task of forming a balanced state policy in the sphere of animal by-products;
- the basic requirements to reduce risks to human and animal health that are of animal by-products at various stages - from creation and use to the collection, recycling or disposal of such products.

The adoption of the Law of national legislation in the field of animal waste management harmonized this sphere with European requirements, including the provisions of the European Parliament and the EU Council Regulation № 1069/2009, which establishes the sanitary-veterinary norms on animal by-products (animal products) and their processed products not intended for human consumption, and the European Commission Regulation № 142/2011 of 25 February 2011 which implements Regulation (EC) № 1069/2009 and Council Directive 97/78 / EC concerning certain samples and items which are exempted from veterinary inspection at the border under mentioned Directive.

² Specifically there have been developed 18 draft regulations of the Government and orders of the Ministry of Agrarian policy and food. In order to remove legal uncertainties and taking into account proposals submitted by the interested ministries, there has been developed a draft Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine regarding food safety".

- The following draft Laws of Ukraine are in the parliament:
 - «On State Control carried out to verify compliance with the law on safety and quality of food and feed, animal health and welfare» (reg. № 0906);
 - «On feed» (reg. № 2845-1).

➤ With the support of experts of the EU project «Improvement of food safety control in Ukraine» there has been developed a **comprehensive strategy for the implementation of the legislation on sanitary and phytosanitary measures**.

The aim of the Strategy is to determine the schedule of systematic legal approximation of Ukrainian legislation in the field of sanitary and phytosanitary measures to the EU acquis.

No later than three months after the entry into force of the Agreement (provisional application of section IV of the Agreement) Ukraine shall provide the Subcommittee on sanitary and phytosanitary measures with the Strategy.

➤ Prepared new version of the **Procedure for labelling food and feed containing genetically modified organisms or produced with their use** (replacement of the procedure approved by the Cabinet of Ministers on May 13, 2009 № 468). It proposes:

- To define «genetically modified food», «genetically modified organism for use in food», «genetically modified food», «genetically modified organism for feed use»;
- In the case of GMOs in a food or feed if their share in food products exceed 0.9 percent in any ingredient of food or feed containing, consisting of or produced from genetically modified organisms, labelling food or feed should include the words «GMO»;
- In the list of components of food or feed on the label after the name of each of those containing genetically modified organisms or produced from their use, in parentheses there have to be the words «This product contains genetically modified organisms» or «This product contains genetically modified [name of organism (organisms)]»;
- Market operator may optionally include label «GMO»".

Discussions on the Procedure are on with agricultural industry associations, American Chamber of Commerce in Ukraine and the European Business Association.

Customs and Trade Facilitation

- Changes to the Customs Code of Ukraine were developed, namely:
 - unification of requirements to the Authorized Economic Operator with the same requirements of the EU legislation;
 - introduction of simplifications which are similar to the European ones (custom clearance at the place of registration, procedure of simplified declaration, reduction of the guarantee amount when applying financial guarantee);
 - protection of intellectual property rights when moving goods across the custom border of Ukraine.

➤ Protocol amending the Marrakesh Agreement Establishing the World Trade Organization regarding Ukraine's accession to the WTO Agreement on Trade Facilitation was ratified.

Establishment of business activities, trade in services and e-commerce

- The Law of Ukraine «On e – commerce» (No. 675-VIII) was adopted on September 3, 2015;
- The Law of Ukraine «On Electronic Trust Services» was drafted (reg. № 2544a).

Intellectual property

- The following draft Laws of Ukraine were elaborated:
 - «On Amendments to Certain Legislative Acts of Ukraine Relating to Regulating the Issues of Copyright and Related Rights on the Internet» (Reg. No. 3353);
 - «On Collective Management of Property Rights of Copyright Subjects and Related Rights»;
 - «On Amendments to Certain Legislative Acts of Ukraine Relating to the Intellectual (Industrial) Property»;
 - «On Amendments to Certain Legislative Acts of Ukraine (to Enhance the Protection of Intellectual Property Rights)».

Competition

- The following Laws of Ukraine were adopted:
 - «On Amendments to Budget Code of Ukraine Concerning Decisions of Designated Authority on Issues of State Assistance» (No. 416-VIII);
 - «On Amendments to Certain Legislative Acts to Provide Transparency in Activities of the Antimonopoly Committee of Ukraine».
- The following draft Laws of Ukraine were adopted in the 1st reading in the Parliament:
 - «On Amendments to the Legislation on Protection of Economic Competition Concerning Determination by the Antimonopoly Committee of Ukraine of Amounts of Penalties for Violation of Legislation on Protection of Economic Competition» (reg. № 2431);
 - «On Amendments to the Law of Ukraine “On Protection of Economic Competition” (concerning improvement of the effectiveness of the control of economic concentrations)» (reg. № 2168a).
- Recommended clarifications on the use of the provisions of the 2nd and 5th paragraph of Article 52 of the Law of Ukraine «On Protection of Economic Competition» and 1st and 2nd paragraph of Article 21 of the Law of Ukraine «On Protection against Unfair Competition» were published.

Energy issues

The integration of energy markets and strengthening energy security

- The reverse gas supplies from the EU, namely from Poland, Slovakia, Hungary were restored.
- The Financing Agreement between Ukraine and the European Investment Bank on the project «The reconstruction, overhaul and re-equipment of the Urengoi-Pomary-Uzhgorod gas pipeline» was ratified (the Law of Ukraine № 603-VIII).

Energy efficiency

- The Law of Ukraine «On amendments to some laws of Ukraine to ensure competitive conditions for the production of electricity from alternative energy sources» was adopted (№ 514-VIII).
- The Technical Regulation of the energy labeling of household dishwashers was approved.
- The amendments to the Law of Ukraine «On alternative fuels» are developed.

Banking sector

- The following Laws of Ukraine were adopted:
 - «On Amendments to Certain Legislative Acts of Ukraine on capacity building of the National Bank of Ukraine» (№ 541-VIII);
 - «On Amendments to the Budget Code of Ukraine on capacity building of the National Bank of Ukraine» (№ 542-VIII).

Company law and corporate governance

- The following draft Laws of Ukraine were elaborated:
 - «On Amendments to the Law of Ukraine" On Accounting and Financial Reporting in Ukraine»;
 - «On the audit of financial statements and audit activities».

Statistics

- The draft Law of Ukraine «On amendments to certain laws of Ukraine regulating state statistical activity» (reg. № 3512) on strengthening the coordination role of the State Statistics Service of Ukraine in National Statistical System has been developed.
- Statistical Confidentiality Insurance Concept has been approved.
- Methodological guidelines for structured surveys of insurance companies have been approved.
- The State Statistics Service of Ukraine, the State Fiscal Service of Ukraine and the National Bank published joint clarification on possible discrepancies in their data regarding foreign trade in goods and services.

Cooperation in transport sector

- The following draft Laws of Ukraine were elaborated:
 - «On rail transport» (new edition);
 - «On bringing in line with EU regulations of the legislation of Ukraine in the road transport sector»;
 - «On Amendments to the Law of Ukraine «On postal Services».
- Legal acts on simplifying the business conditions in Ukraine ports were adopted.
- Preparatory measures on the establishment of Joint Stock Company «Ukrainian Railways» are completed;
- The Procedure of Verification of tanks for the carriage of dangerous goods was introduced.

Environment

- The Protocol on Strategic Environmental Assessment to the Convention on the assessment of the environmental impact in a cross-border context (the Law of Ukraine No. 562-VIII) was ratified.
- The following draft Laws of Ukraine were elaborated:
 - «On Environmental Impact Assessment»;
 - «On the Strategic Environmental Assessment».
- An Expected national contribution of Ukraine to draft a new global climate agreement was approved.
- The Concept of implementation in Ukraine the system for trade licensing units for greenhouse gases emissions was developed.

Education

- A number of resolutions of the Cabinet of Ministers of Ukraine and decisions of the Ministry of Education and Science of Ukraine which are necessary for implementation of the Law of Ukraine «On education» as well as bringing the education system into the line with European practice, particularly in the autonomy of educational institutions, were adopted.

Cooperation in the youth policy

- Concept of the State Social Programme «Youth of Ukraine» for 2016-2020 was approved.
- The draft Law of Ukraine «On Amendments to Certain laws of Ukraine (concerning recognition of informal education)» was elaborated.

Cooperation in science and technology

- The following agreements were ratified:
 - Agreement (in form of exchange of notes) between Ukraine and the European Union on the renewal of the Agreement between Ukraine and the EU on scientific and technological cooperation (the Law of Ukraine № 602-VIII);
 - Agreement between Ukraine and the EU on Ukraine's participation in the EU Program «Horizon 2020» – Framework Program on Research and Innovation (2014-2020) (the Law of Ukraine № 604-VIII).
- The draft Law of Ukraine «On scientific and technical activity» (new edition) (reg. № 2244a) was adopted by the Parliament in the 1st reading.
- The requirement to mandatory sale of foreign currency for projects that are implemented within the agreements on Ukraine's participation in the EU international programs was cancelled.

Social policy

- The Law of Ukraine «On the external labor migration» (№ 761-VIII) was adopted.
- The draft of the Law of Ukraine «On Amendments to Certain legislation acts of Ukraine concerning employment of disabled people» (Reg. No. 2322a) was submitted to the Parliament.

Industry and Entrepreneurship

- The moratorium on inspections by regulatory authorities of enterprises, institutions and organizations, individual entrepreneurs has been extended until the end of 2016.

Financial services

- Comprehensive Programme for financial sector development until 2020 was approved.

Health

- With the purpose of health care reform the following draft Laws of Ukraine were elaborated:
 - «On Amendments to Certain legislation acts of Ukraine concerning improvement of legislation on health» (reg. № 2309a);
 - «On Amendments to the subparagraph 4 of paragraph XX «Transitional Provisions» of the Tax Code of Ukraine concerning improvement of legislation on health» (reg. № 2310a);
 - «On Amendments to the Budget Code of Ukraine concerning improvement of legislation on health» (reg. № 2311a).

Culture

- Ukraine and the EU signed an agreement on Ukraine's participation in the EU program «Creative Europe».
- Ukraine joined the International Research Center for Conservation and Restoration of Cultural Values (the Law of Ukraine № 720-VIII).

Agriculture and development of rural territories

- The Concept of development rural territories was adopted (resolution of the Cabinet of Ministers of Ukraine No. 995).

Cross-Border cooperation

- The draft Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine Relating to Euroregional Cooperation Groupings (ECGs)» (reg. № 2787) was elaborated.

I. ORGANISATION OF THE AGREEMENT IMPLEMENTATION, ASSESMENT AND MONITORING

Internal mechanism for implementation of the Agreement and coordination of European integration process

In order to ensure the proper implementation of the Association Agreement and policy coordination in the field of European integration, the following actions have been fulfilled:

- The Cabinet of Ministers of Ukraine defined the respective areas in the field of European integration which are under the direct supervision, control and coordination of the Cabinet of Ministers³;
- Approval of the mechanism for coordination of central government executive authorities and its activity in the field of European integration⁴;
- Establishment of the Government Office for European Integration⁵ and the definition of its competences⁶;
- Introduction of the positions of Deputy Ministers on European integration;
- Establishment of working groups aimed at implementing the Agreement and supporting the Association Subcommittees⁷;
- The monitoring and organizational components of the Government Office have been enhanced by entrusting it with the functions of the Co-Secretariat from the Ukrainian side of the Association bilateral bodies (Association Council and Association Committee, as well as mostly its subcommittees⁸).

From now and onwards, the key challenge is to develop institutional capacity. In particular, adoption and proper implementation of practical tools for policy analysis, impact assessment, and approximation of legislation as well as trainings for civil servants involved in the implementation of the Association Agreement.

Thus, with the EU support, **the Comprehensive Institution Building Programme have been elaborated** (designed for 2016-2018) and is expected to be launched in early 2016.

The EU assistance for the implementation of four components of the Comprehensive Institutional Building is allocated. These components are the following:

- **Legal approximation and policy implementation: introduction of modern tools and procedures** in order to establish the integrated and coherent system of legal approximation and policy implementation; the elaboration of the **modern IT systems** for information management; and the system, including institutional, for **certified translation** of EU legal acts into Ukrainian;

³ [Regulation of the Cabinet of Ministers on the Government Office for European Integration of August 13, 2014 № 346.](#)

⁴ Annex to the Resolution № 346.

⁵ Resolution of the Cabinet of Minister of May 27, 2014 № 157 on establishment of the Government Office for European Integration (GOEI).

⁶ Provisions on the GOEI expressed in the Resolution № 346.

⁷ Resolution of the Cabinet of Ministers of July 8, 2015 № 646. Figure «Implementation of the Agreement: operational level».

⁸ Resolution of the Cabinet of Ministers of December 10, 2014 № 700 and of July 8, 2015 № 646.

- **Human Resources Development**, in particular the elaboration and implementation of comprehensive training programmes for civil servants;
- **Policy development and coordination** for the Association Agreement implementation: **introduction of tools, specific systems and skills for policy analysis, coordination and implementation** taking into account the Association Agreement as well as the provisions of the EU acquis;
- **Public communication**: development of the communication system with the public on European integration matters.

In addition, the abovementioned programme will also include a component aimed at attracting and training a new generation of experts in European integration (“new generation cadre”).

Figure 1 «Implementation of the Agreement: operational level»



Bilateral bodies of the EU-Ukraine Association Agreement

1) The bilateral institutions of the Association Agreement will conduct supervision, assessment and monitoring of the implementation of the Agreement. These institutions are the following:

- **The Summit**, the **highest level of political and policy dialogue** between the Parties. The Summit provides overall guidance for the implementation of the Agreement as well as an opportunity to discuss any bilateral or international issues of common concern. The first EU - Ukraine Summit in the framework of the Agreement took place on 27 April 2015. Following the summit, [the Parties released the joint statement](#).
- **The Association Council** (Articles 461 – 466) supervises and monitors the implementation of the Agreement as well as reviews periodically the functioning of the Agreement in the light of its objectives.

The first meeting of the Association Council was held on December 15, 2014 in Brussels. In order to ensure the proper work of the bilateral institutions of the EU-Ukraine Association Agreement, the Parties adopted the following Decisions:

- On adoption of the rules of procedure of the Association Council, the Association Committee and its Sub-committees (№ 1/2014);
- On establishment of two sub-committees – Sub-Committee on freedom, security and justice and Sub-Committee on economic and sector cooperation (№ 2/2014);
- On the delegation of certain powers by the Association Council to the Association Committee in Trade configuration (№ 3/2014).

The vision for further development of the relations in the framework of the EU-Ukraine Association Agreement was expressed in [the joint press-release](#).

The next meeting of the Association Committee is scheduled for December 7, 2015.

- **The Association Committee** assists the Association Council in the performance of its duties; it is composed of representatives of the Parties, mainly at senior civil servant level; and chaired in turn by a representative of Ukraine and a representative of the EU.

[The first meeting of the Association Committee was held on July 13-14, 2015.](#)

As part of the Association Committee meeting, the Parties discussed a wide range of issues of political, trade-economic and sectoral cooperation. The Parties also assessed the implementation of the EU-Ukraine Association Agreement, which is the road map for the implementation of reforms in Ukraine. In addition, the Ukrainian and the EU side defined the priorities of cooperation in order to accelerate the Ukraine's political association and economic integration with the EU.

The Association Committee also can hold the meetings in a specific configuration to address all issues related to Title IV (Trade and Trade-related Matters) of the Agreement. The Association Committee meets in this configuration will meet at least once a year. The first meeting of the Association Committee held in special configuration is expected in the first quarter of next year.

2) Work organization of the Ukrainian side of Association Council and Association Committee are determined by relevant acts of the Government of Ukraine.

In particular the Government defined:

that **Agreement implementation, preparation of meetings, implementation of decisions and recommendations of the Association Council, the Association Committee and its Subcommittees** have to be discussed at **special meetings of the Cabinet of Ministers** on European integration, and at the **Government Committee in charge for the European Integration (The Resolution of the Cabinet of Ministers № 700 of December 10, 2014)**.

the approval procedure for the government delegations⁹, which take part in the meetings of the bilateral institutions, the Association Council and the Association Committee, as well as the meetings of the Subcommittees.

the order for the official publication of acts of the Association Council and the Association Committee. In particular, the decisions and recommendations of the Association Committee and the Association Council are to be published on the government portal and the newspaper «Official Bulletin of Ukraine» in ten days since the end of the procedure of its formal adoption (*The Resolution of the Cabinet of Ministers of March 4, 2015 № 84*).

3) Sub-committees, established under the Agreement, assist the Association Committee.

On December 15, 2014 the Association Council on took a decision to set up two subcommittees: Subcommittee on freedom, security and justice and Subcommittee on economic and sector cooperation¹⁰.

Because of the [first meeting of the Association Committee](#) (13-14 July 2015 Brussels) the meetings of the Subcommittee on economic and sector cooperation are agreed to be held according to the jointly identified clusters. Thus, the Subcommittee's meetings should be focused on the key issues assigned to the Sub-Committee:

- Cluster 1: Macro-economic cooperation; Management of public finances: budget policy, internal control and external audit; Statistics; Accounting and auditing; Anti-fraud and control provisions;
- Cluster 2: Industrial and enterprise policy; Mining and metals; Tourism; Space; Company law and corporate governance; Consumer protection; Taxation;
- Cluster 3: Energy cooperation, including nuclear issues; Environment, including climate change and civil protection; Transport;
- Cluster 4: Cooperation in science and technology; Information society, Audio-Visual policy; Education, training and youth; Culture; Cooperation in the field of sport and physical activity;
- Cluster 5: Agriculture and rural development; Fisheries and maritime policy; Danube river; Cross-border and regional cooperation;
- Cluster 6: Cooperation on employment, social policy and equal opportunities; Public health.

⁹ The members of the Association Council are Ministers, and the members of the Association Committee – Deputy Ministers on European integration, the Deputy Minister of Economic Development and Trade – Trade Representative of Ukraine, Deputy Heads of other central government executive authorities, to the functions of which belong the issues of implementation of the Agreement.

¹⁰ The decision of the Association Council of December 15, 2014 № 2\2014 on the establishment of subcommittees;

In addition, the Agreement establishes:

- Subcommittee on Geographical Indications (GI);
- Subcommittee on Sanitary and Phytosanitary Management (SPS);
- Subcommittee on Customs;
- Subcommittee on Trade and Sustainable Development.

The abovementioned Sub-Committees will begin their work after the start of the provisional application of Title IV of the Agreement «Trade and Trade-related Matters» from 1 January 2016.

The Resolution of the Cabinet of Ministers of Ukraine of July 8, 2015 № 646 «On organization of the Subcommittees of the Association Committee in the framework of the EU-Ukraine Association Agreement» approved the procedure for the respective work organization.

The working groups¹¹ chaired by the members of the Committee were established for the organisation of the Sub-Committees' work. The working groups consist of the members of Government Office for European Integration, of the Ministry of Foreign Affairs as well as other ministries and agencies.

Up to date, the following committees and clusters **held meeting**:

- Subcommittee on freedom, security and justice (July 23-24, 2015);
- Cluster 1 of the Subcommittee on economy and sectoral cooperation (energy, transport, environmental protection and climate change) (September 28-29, 2015);
- Cluster 3 of the Subcommittee on economics and sectoral cooperation (macroeconomic cooperation, public financial management, budgeting, internal control and external audit, statistics, accounting and fight against fraud) (October 8-9, 2015).

Until the provisional application of the Deep and Comprehensive Free Trade Area (DCFTA) on 1 January 2016 (Title IV «Trade and Trade-related Matters» of the Agreement), the Parties agreed to continue the work of the Subcommittees that had been established under the Partnership and Cooperation Agreement between Ukraine and the EU. These are the Subcommittee on trade and investment, the Subcommittee on entrepreneurship policy and competition as well as the SC on customs and cross-border cooperation.

4) Ukraine-EU Parliamentary Association Committee is a forum for members of the Verkhovna Rada of Ukraine and the European Parliament for folding meetings and exchange views.

The Parliamentary Association Committee consists of members of the Verkhovna Rada of Ukraine and the European Parliament.

First meeting of the Parliamentary Association Committee was held on February 24-25, 2015, second – on November 4-5, 2015. During the session of the Parliament Committee with broad participation of the executive bodies and civil society representatives' participants discussed the current issues related to the Association Agreement implementation and the bilateral relations in general. [Final Statement](#) was adopted in conclusion of the meeting.

¹¹ The working groups in particular will aim their work to inter-ministerial coordination in the fields of their competences (according to the Agreement), to prepare the issues for the meetings of the Government Committee in charge of European Integration and the respective Cabinet meetings. De-jure – they have the status of advisory inter-ministerial bodies.

Also, according to Articles 469-470 of the Agreement established **Civil Society Platform** – civil society joint body, consisting of representatives of trade unions, employers' organizations, civil society organizations and representatives of European Economic and Social Committee.

Provided that the Association Committee and Parliamentary Association Committee will carry out regular contacts with representatives of civil society platforms in order to obtain their views on the objectives of the Agreement.

Off Meeting of the Civil Society Platform was held on April 16, 2015.

Planning and policy documents

1) The Parties shall ensure the implementation of the Agreement that in accordance with Article 486 of the Agreement will be applied provisionally from 1 November 2014 until its entry into force.

Preparation to the implementation of section IV of the Agreement on «Trade and trade related issues» is in progress. Its provisional application will begin on January 1, 2016.

2) The Association Agenda¹².

The Association Agenda is a common practical instrument aimed to prepare and facilitate the full implementation of the Ukraine - EU Association Agreement, taking into account the structure of the institutional framework, as set up in the Agreement.

Ukraine and the European Union define the priorities for the Association Agenda, which complement the responsibilities of the Parties in accordance with the Association Agreement for its full implementation.

The updated Association Agenda outlined ten short-term reform actions, that Ukraine should address as a matter of priority in the areas of political reform, reform of the judiciary, election reform, anti-corruption, public administration, energy, deregulation, public procurement, taxation and external audit.

The Association Agenda is a key instrument for monitoring and assessment of the Ukraine's progress in implementation of the Association Agreement, including the achievement of the overall objectives of political association and economic integration. Assessment of the Association Agenda implementation will be carried out on an annual basis.

The European Union will assist Ukraine in implementing the objectives and priorities set out in the Association Agenda by using all available sources of EU support, and by sharing expertise and advice, best practices and "know how".

3) The Association Agreement, Association Agenda and other commitments of Ukraine in the sphere of European integration form the basis for Ukraine's public policy strategic documents.

Objectives and measures to implement the Agreement and other commitments in the sphere of European integration are defined in the following main program and organizational documents of the Government:

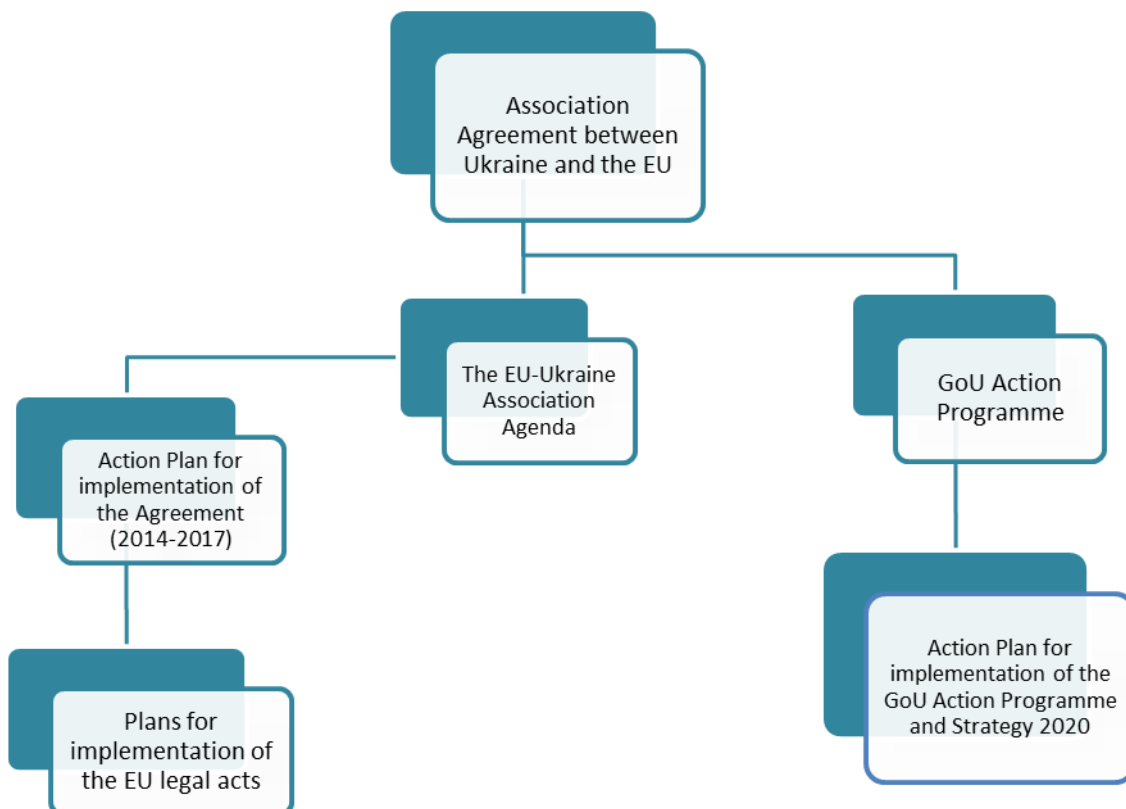
¹² Updated on 16 March, 2015 by the Recommendation of the Ukraine-EU Association Council which has been endorsed in the form of Exchange of Letters. See also Resolution of the Cabinet of Ministers No. 207 dated 13 March 2015 "On Approval of the Recommendations of the Ukraine-EU Association Council on implementation of the Association Agenda between Ukraine and the EU"

- **The Cabinet of Ministers of Ukraine Action Programme**, the plan on its implementation, and on implementation of the Sustainable Development Strategy «Ukraine – 2020» in 2015¹³ are aimed at reforms in the areas that are key for the implementation of the Agreement, as well as provide direct tasks on implementation of the Agreement;
- **Action Plan on the implementation of the Agreement for 2014-2017** (Resolution of the Cabinet of Ministers dated September 17, 2014 № 847), which foresee over 490 short- and medium-term tasks in all areas of cooperation between Ukraine and the EU defined by Agreement.

Review of the Action Plan for the implementation of the Agreement was currently launched, primarily to specify the tasks related to the implementation of the trade part of the Agreement. Action Plan update will be finalized after the evaluation of the Action Plan implementation in 2015.

- [Plans for implementation of the EU legislation acts. Plans adopted for detailed scheduled implementation of the EU legal acts, envisaged by the Association Agreement and Action Plan for its implementation. 37 resolutions of the Cabinet of Ministers of Ukraine were adopted to approve 150 of such plans to implement 219 EU legal acts.](#)

Figure 2 «Strategic documents in the sphere of Ukraine’s European integration policy»



¹³ [Resolution of the Cabinet of Ministers № 213 dated March, 4 2015](#)

According to the approved plans, work on implementation of [EU legislative acts](#) foresees not only approximation aspect but also institutional, organizational measures and appropriate consultations with stakeholders.

This approach should ensure consistency and transparency in implementation of Ukraine's commitments foreseen by the Association Agreement, effective monitoring of EU legislation implementation.

Monitoring and assessment

➤ Mechanism of **joint monitoring and evaluation** provided by the Agreement and Association Agenda.

The Association Council, accompanied by the Association Committee and sub-committees, provides control and monitoring of the application and execution of the Agreement. Monitoring in this regard (Article 475 of the Agreement) means continuous evaluation of the execution and implementation progress of all activities covered by the Agreement. It will also include evaluating the approximation of Ukraine's legislation to the EU law, including aspects of implementation and application of relevant regulations.

The Agreement and Association Agenda provides that the parties can conduct monitoring and evaluation both jointly and separately.

➤ **Cabinet of Ministers of Ukraine established the system of reporting, monitoring and evaluation** of the implementation of the Agreement and the Association Agenda. Complex approach in this system is being implemented through compliance of the basic principles of proper planning and coordination in execution of tasks defined by the programing documents:

- clear determination of the terms of reporting as a basis for coordinated and planned work;
- applying unified requirements to the content and format of information on the state of Agreement implementation, Action Plan, Association Agenda and Implementation Plans as well as other programs, legal acts of the Government, ministries and other executive bodies;
- setting up of the reporting process not only as a mechanism of monitoring and evaluation, but also for further planning, including amending of the programing documents, clarification of the content of the planned activities etc.;
- primary focusing on qualitative indicators, including a proper evaluation of the implementation effects, as well as on providing of complex reforms in the defined fields that take into account, implement or are in compliance with the Agreement's obligations;
- transparency, openness, accountability, involvement of a wide range of stakeholders including the public, specialized expert NGOs, businesses, etc. in the planning, implementation and evaluation of activities, to find the most optimal ways for implementation of the obligations.

➤ **The results on implementation of the Agreement and Association Agenda are shown in public documents** prepared by the Governmental Office for European Integration on the data of executive authorities and other sources. On the government website the following documents particularly are prepared and posted:

- [Quarter detailed report](#) on Implementation of the Association Agenda and the Association Agreement between the EU and Ukraine
- [Monthly digest](#) which contains information about the most important events and results of the Association Agenda priorities.

In order to implement the agreements reached within the framework of the Association Committee (13-14 July 2015) information on the Agreement implementation is preparing before the joint sessions of association bilateral bodies.

In 2015, such information was prepared, [published](#) and passed to the EU in the context of preparation of:

- Sub-committee on «Justice, Freedom and Security» (July 23-24)¹⁴;
- Cluster 1 (28-29 September) and cluster 3 (8-9 October) of Sub-committee «The economy and other sectoral cooperation».

Monitoring and evaluation of Ukraine Association Agenda implementation carried out by EU through preparing annual reports on the implementation of the European Neighbourhood Policy¹⁵.

The Ukrainian side takes into account the recommendations of the EU during monitoring and evaluation of the Agreement and the Association Agenda adjust in this regard respective tasks aimed at implementation of relevant commitments.

¹⁴ In part of the Visa Liberalization Action Plan implementation.

¹⁵ European Commission and High Representative of the Union for Foreign Affairs and Security Policy [report on «Implementation of the European Neighbourhood Policy in Ukraine Progress in 2014](#) and recommendations for actions» was published on March 25, 2015

II. IMPLEMENTATION OF THE ASSOCIATION AGENDA PRIORITIES

In the first part of Section III of the Association Agenda Ukraine and the EU defined short-term reform actions that should be addressed as a matter of priority. Assessment of the progress in implementing priority actions is made, based on the content of tasks set out by the Association Agenda.

1. Constitutional reform

The aim is to re-start the constitutional reform through an inclusive and participatory process including active consultations with civil society and in line with the Venice Commission recommendations, including legislative steps towards amending the constitution, enabling decentralisation reform and the reform of the judiciary.

Certain progress was made in implementing constitutional reform.

➤ **The Constitutional Commission**, which was established in March 2015, and three working groups set up within the Commission **worked out proposals on amendments to the Constitution in the part of** decentralization of power and local self-government, judicial reform, and human rights.

The Constitutional Commission is a special subsidiary body of the President of Ukraine. The main tasks of the Constitutional Commission are: to generalize practice of implementation of the Constitution of Ukraine and proposals for its improvement with regard to current challenges and the needs of society; to work out agreed proposals for carrying out the constitutional reform and to ensure their broad public and expert discussion.

➤ On July 1, 2015 the President of Ukraine submitted to the Verkhovna Rada **the draft Law of Ukraine «On Amendments to the Constitution of Ukraine (relating to the decentralisation of power)»** (reg. № 2217a), prepared by the Constitutional Commission. The draft law received a generally positive opinion of the Venice Commission, and a positive conclusion of the Constitutional Court of Ukraine, which stated that it complied with the provisions of Articles 157 and 158 of the Constitution.

On August 31, 2015 the draft Law of Ukraine «On Amendments to the Constitution of Ukraine (relating to the decentralisation of power)» was preliminary approved by the Verkhovna Rada of Ukraine.

The law provides for introducing changes to the administrative-territorial structure of Ukraine; abolishing positions of heads of the local state administrations; establishing executive bodies of local self-government communities; introducing an institution of prefects to oversee observance of the Constitution and laws of Ukraine by local self-government authorities.

Detailed [infographics on decentralisation reform](http://decentralization.gov.ua/infographics) is posted on the web-site «Decentralisation of power» (<http://decentralization.gov.ua/infographics>).

➤ On October 30, 2015, the Constitutional Commission (taking into account recommendations of the Venice Commission dated October 23, 2015) finally approved draft amendments to the Constitution of Ukraine in the part of justice.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «**Support to Decentralisation in Ukraine» (Sweden)**, total project budget – 31.75 mln SEK for the period: 08.09.2014 – 31.12.2017;
- «**Decentralization Support in Ukraine» – DESPRO (Swiss Confederation)**, project budget – 9.27 mln CHF for the period: 01.05.2013 – 30.04.2017;
- «**Development Initiative for Advocating Local Governance in Ukraine» – DIALOGUE Project (USA)**, project budget – 5.2 mln USD for the period: 11.05.2010 – 08.11.2015;
- «**Partnership for Local Economic Development and Democratic Governance» (Canada)**, project budget – 19.48 mln CAD for the period: 27.03.2015 – 30.06.2021;
- «**Reform of municipal services in Eastern Ukraine» (Germany)**, project budget – 7 mln EUR for the period: 01.01.2010 – 31.12.2015.

2. Electoral reform

The aim is to take steps towards harmonisation of electoral legislation through its unification and reform of political party financing, including state financing. This should be prepared through an inclusive and participatory process in line with the OSCE/ODIHR, GRECO and Venice Commission recommendations, with a first priority given to revision of the law on local elections in view of local elections planned for second half of 2015.

Certain progress was made in reforming election legislation.

2.1 Election legislation

➤ On July 14, 2015, the Verkhovna Rada **adopted the Law of Ukraine «On Local Elections»** (№ 595-VIII).

The law specifies that the election of deputies to the Verkhovna Rada of the Autonomous Republic of Crimea, oblast, rayon, city, and inner city districts' councils shall be held under a proportional electoral system in multi-mandate constituencies, based on electoral lists of local organisations of political parties, while fixing candidates in territorial election districts, which multi-mandate constituencies are divided into.

Provisions of the Law set the electoral threshold – 5% of votes cast for electoral lists of local organisations of political parties within a multi-mandate constituency, and 7% – for blocs of local party organisations. Elections of deputies to village and settlement councils, elections of city mayors (in cities with a number of voters equal to or more than 90 thousand), heads and village

elders, settlement and towns (with a number of voters less than 90 thousand) shall be held under a majoritarian system of the absolute majority of votes in a single-mandate constituency.

According to the Law, local elections will not be held on the temporarily occupied territory of Crimea and parts of Donetsk and Luhansk oblasts.

➤ On September 4, 2015, the Verkhovna Rada **adopted the Law of Ukraine «On Amendments to Certain Laws of Ukraine Relating to Organization of the First Elections of Deputies to Local Councils and Heads (Mayors) of Villages, Settlements and Cities»** (№ 676-VIII). The Law provides for:

- adjusting the system of local self-government representative bodies to the current legislation;
- improving a procedure for the voluntary amalgamation of territorial communities, taking into account principles of reforming the system of local elections;
- conducting the first elections in newly united communities simultaneously with regular local elections of 2015.

➤ **On October 25, 2015, elections of deputies to local councils and heads (mayors) of villages, settlements and cities were held in Ukraine.**

At the invitation from the Ukrainian side, 1555 observers from international organisations participated in the monitoring of local elections in Ukraine, including 684 observers from the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR), 57 – from the Council of Europe, and 12 – from the European Parliament.

➤ On October 26, 2015 **the Statement of Preliminary Findings and Conclusions of the International Election Observation Mission (IEOM) on local elections in Ukraine**, involving the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR), the Congress of Local and Regional Authorities of the Council of Europe (Congress) and the European Parliament (EP), **was released.**

According to the conclusions, the elections were competitive, well-organized overall and the campaign generally showed respect for the democratic process.

The Mission has noted:

- creation of the adequate legal framework for democratic elections;
- transparency and accuracy of the voting process and counting;
- appreciation of the activities of the Central Election Commission;
- transparent functioning of the accreditation of international observers and members of the public.

The Mission stated that the illegal annexation of the Crimean peninsula by the Russian Federation and the temporary control of parts of the territory of the Donetsk and Luhansk oblasts by illegal armed groups made it impossible for a significant portion of the Ukrainian population to vote.

➤ On October 27, 2015, **a Statement by the Spokesperson of the High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission Federica Mogherini on the local elections in Ukraine was released.**

The EU side has underlined that local elections held in Ukraine on October 25 are another important step in the consolidation of the country's democratic governance, following the

Presidential and Parliamentary elections of 2014.

At the same time, it has been noted that additional efforts are needed to further enhance the integrity of and public confidence in the electoral process.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the Project «**Strengthening Democratic Parties and Civil Society Organisations**» (Canada), project budget – 2.9 mln CAD for the period: 11.03.2015 – 31.08.2017.

2.2 Legislation on political party financing

➤ On October 8, 2015, the Verkhovna Rada **adopted the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine Relating to Prevention and Counteraction of Political Corruption**», aimed at implementing the recommendations of the Group of States against corruption (GRECO) of the Council of Europe.

The Law, in particular, provides for:

- Public funding of political parties starting from 2017 (through funding of their statutory activities, not associated with participation in the elections, from the State budget on an annual basis, and partial reimbursement of parties' expenses for carrying out parliamentary election campaigns;
- Accounting of such funds on special party accounts in banks with a simultaneous prohibition for their transfer to election funds;
- Control over legitimate use of public funds by the Accounting Chamber and the National Agency for the Prevention of Corruption.

➤ On October 8, 2015, **another Law of Ukraine was also adopted – «On Amendments to Article 87 of the Budget Code of Ukraine (relating to political party financing)»**. The law provides for ascribing expenditures of statutory activities of political parties to the categories of expenditures made from the State budget of Ukraine, and reimbursement of political parties' expenses for election campaigning.

3. Prevention and fight against corruption

Demonstrate serious progress in the fight against corruption, including through the implementation of the comprehensive anti-corruption legal package adopted on 14 October 2014, starting with the setting up and ensuring effective functioning of both the National Anti-Corruption Bureau and the National Agency for the Prevention of corruption.

Serious progress was made in elaborating the legislative base for reforming the system of preventing and combating corruption. However, there is **little progress** on establishing and ensuring proper functioning of a system of institutions to implement anti-corruption legislation.

3.1 Establishing institutions for the prevention and fight against corruption

➤ The Laws of Ukraine, adopted in October 2014, **set out the legal framework for the organisation and activity of the National Anti-Corruption Bureau of Ukraine and the National Agency for the Prevention of Corruption.**

➤ On February 12, 2015, the Verkhovna Rada adopted the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine to Ensure the Functioning of the National Anti-Corruption Bureau of Ukraine and the National Agency for the Prevention of Corruption» (№ 198-VIII).

The Law provides for **improving provisions of the newly adopted legislation in the sphere of counteracting corruption and legalisation (money laundering) of incomes obtained in a criminal manner, in particular, in the part of proper functioning of anti-corruption institutions** – the National Bureau and the National Agency for the Prevention of Corruption, in order to implement recommendations of the experts of the International Monetary Fund monitoring mission.

National Anti-Corruption Bureau of Ukraine

➤ On April 16, 2015 **the National Anti-Corruption Bureau of Ukraine was established** (Decree of the President of Ukraine № 217) as a specialised state law enforcement body, the main functions of which are preventing, detecting, stopping, investigating and solving corruption offenses committed by senior public officials, as well as the prevention of committing new ones. Director of the Bureau was appointed on the results of competitive selection.

➤ **Regulation on the Public Board at the National Anti-Corruption Bureau** and Procedure for its formation were **endorsed** (Decree of the President of Ukraine № 272 dated May 15, 2015).

The Public board will ensure public control over the activity of the National Bureau, promote its interaction with civil society organisation, and will take part in the formation of a competition commission for selecting candidates to positions in the national Bureau. The composition of the Public board was formed.

➤ On July 16, 2015 the Law of Ukraine «On Amendment to Article 216 of the Criminal Procedure Code of Ukraine Relating to Specifying Jurisdiction of the National Anti-Corruption Bureau of Ukraine» (№ 628-VIII) was adopted, which **authorises the detectives of the National Anti-Corruption Bureau to conduct pre-trial investigation of crimes related to declaration of false information by public officials.**

➤ On July 16, 2015 the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine in connection with the adoption of the Law of Ukraine «On the National Anti-Corruption Bureau of Ukraine» (№ 630-VIII) was passed.

The Law, in particular, **sets out prohibition for employees of the National Bureau to be members of political parties and limits their participation in the electoral process, and enlists the Bureau as a state agency involved in combating organised crime ensuring the national security.**

➤ **Competitive selection process of employees to the National Anti-Corruption Bureau** is ongoing.

On August 25, 2015 the Competition, commission selected the first 70 detectives, and 25 of them began performing their official duties on 15 September 2015.

The National Anti-corruption Bureau will become operational after election of anti-corruption Prosecutor – Head of the Specialised Anti-corruption Prosecutor's Office.

➤ **Memorandum on cooperation and information exchange between the Ministry of Justice, the National Anti-Corruption Bureau and the Ministry of Internal Affairs was signed on July 27, 2015** in order to consolidate efforts regarding prevention, detection, stopping, investigation and solving of corruption crimes.

The document provides for direct access of the newly created institutions, such as the National Anti-corruption Bureau and the National Police, to the registers and databases of the Ministry of Justice. It will significantly reduce the time to collect the information necessary for the effective pre-trial investigation of anti-corruption cases.

National Agency for the Prevention of Corruption

➤ **The National Agency for the Prevention of Corruption was established** by Resolution of the Cabinet of Ministers № 118 dated March 18, 2015 as a central government executive authority with a special status.

The Government has also adopted all normative acts needed for launching the activity of the National Agency for the Prevention of Corruption. To ensure the proper functioning of the National Agency for the Prevention of Corruption, the State Budget of Ukraine for 2015 provides necessary expenditures.

➤ In order to **ensure proper functioning of the Competition commission, which selects candidates for positions at the National Agency** for the Prevention of Corruption, the Cabinet of Ministers introduced amendments to a number of regulations, in particular, **changes were made in:**

- composition of the Competition commission that selects candidates to positions at the National Agency for the Prevention of Corruption (Resolution of the Cabinet of Ministers № 813 of August 12, 2015 and № 862 of August 28, 2015, and Regulation on the competitive selection of candidates to the positions at the National Agency for Prevention of Corruption. (Resolution of the Cabinet of Ministers № 578 of August 12, 2015);
- composition of the inter-agency working on ensuring functioning of the National Agency for Prevention of Corruption, and a list of its activities to launch its work (Resolution of the Cabinet of Ministers № 626 of August 28, 2015).

The Competition Selection Commission, because of two rounds of competition, selected 9 candidates out of 53 applicants.

According to legislation, the candidates submitted their documents for a special examination. Because of examination, the Competition Selection Commission will finalize the list of five candidates and recommend them to be approved by the Government.

Specialised Anti-corruption Prosecutor's Office

➤ On July 2, 2015 the Verkhovna Rada **adopted the Law of Ukraine «On Amendments to the Law of Ukraine «On Public Prosecutor's Office» (relating to improvement and peculiarities of applying certain provisions)»** (№ 578-VIII), which, inter alia, determines the list of administrative positions in the Specialised anti-corruption Prosecutor's office, and the procedure for appointment to these positions.

➤ On September 22, 2015, the Prosecutor General of Ukraine by his order **established a Specialised anti-corruption Prosecutor's office** (as an independent unit within the structure of the Public Prosecutor's Office of Ukraine).

It is planned that the Specialised anti-corruption Prosecutor's office will be comprised of departments for procedural guidance and for support of public prosecution and representation in court, as well as divisions for analytical, statistical and documentary support.

According to the Law of Ukraine "On Public Prosecutor's Office", **the Specialised anti-corruption Prosecutor's office shall have the following functions:**

- Supervision over the observance of laws during pre-trial investigations, held by the National Anti-corruption Bureau of Ukraine;
- Support of public prosecution in the respective proceedings, and representation of interests of a citizens or the State in court in cases, stipulated by this Law and related to corruption offenses;
- The head of the Specialised anti-corruption Prosecutor's office shall be a Deputy Prosecutor General of Ukraine, who will have his/her first deputy and a deputy;
- The Head of the Specialised anti-corruption Prosecutor's office will **appoint prosecutors** to the office **based on results of an open competition**. The competition will be held by a Selection Commission, consisting of the Head of the Specialised anti-corruption Prosecutor's office and persons, determined by him/her and the Prosecutor General.

The Competition Commission for selection of candidates for administrative positions in the Specialised anti-corruption Prosecutor's office **has been set up** (consisting of 4 representatives, proposed by the Council of Prosecutors and 7 representatives, approved by the Verkhovna Rada of Ukraine). On September 21, 2015, the Competition Commission began its work, and it holds its meetings periodically.

On October 26, 2015, the Prosecutor's General office posted on its website a list of persons admitted for participation in the open competition for the selection of candidates for administrative positions in the Specialised anti-corruption Prosecutor's office.

However, there are reservations on the part of the public and the EU representatives regarding compliance with the principle of transparency, while electing the management of the Specialised anti-corruption Prosecutor's office, and in particular, to avoid politicization of the process and guarantee independence of the selection procedure.

3.2 Improving legislation in the sphere of prevention and combating corruption

➤ Following the adoption of the Law of Ukraine «On Principles of the State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2014 – 2017», **the Government Program on implementation of the principles of the state anti-corruption policy in Ukraine (Anti-Corruption Strategy) for 2014 – 2017 was endorsed** by the Cabinet of Ministers on April 4, 2015.

In order to perform activities stipulated by the Anticorruption Strategy, the abovementioned Government Program will be reviewed annually, taking into account results of implementation of the planned activities, findings and recommendations of the Parliamentary hearings on the national report regarding the state of affairs in fighting corruption.

➤ On April 9, 2015, the Law of Ukraine «On Amendments to Certain Laws of Ukraine Relating to the Access to Public Information in the Form of Open Data» (№ 319-VIII) was adopted. The law aims to **ensure realisation of the right of a person to access to information of public interest**, transparency in the activities of government and local self-government bodies by introducing a mechanism for disclosure of public information in the form of open data.

➤ On July 14, 2015, the Law of Ukraine «On Amendments to Certain Laws of Ukraine to Enhance Transparency in the Sphere of Ownership Relations in Order to Prevent Corruption» (№ 597-VIII) was adopted. The Law provides for **easier access to the information contained in the State register of immovable property rights, as well as a free access to the State land cadastre and the Unified State register run by the Interior Ministry and the State Automobile Inspection.**

This measure will ensure openness and transparency of legal relations in the society and increase public control over responsible government officials.

➤ To implement recommendations of the Council of Europe's Group of States against corruption (GRECO), the **draft Law of Ukraine «On Amendments to the Constitution of Ukraine Relating to the Immunity of the MPs and Judges» (reg. № 1776)** was elaborated and submitted to the Verkhovna Rada.

The Verkhovna Rada on February 5, 2015 passed on the draft law to the Constitutional Court for the conclusion on its compliance with the provisions of Articles 157 and 158 of the Constitution of Ukraine.

The draft law provides for elimination of MPs' immunity (at the same time, the MPs would not bear legal responsibility for the results of voting or their statements in parliament and its committees, with the exception of responsibility for insult or defamation) and change in the procedure for lifting immunities of judges.

➤ To further improving legislation on preventing of and fighting against corruption, the Verkhovna Rada of Ukraine on November 10, 2015 approved the following Laws of Ukraine:

- «On amendments to the Criminal Procedure Code of Ukraine Relating to Certain Issues on Seizure of Property to Eliminate Corruption Risks in its Application». The amendments provided in the Law will allow for:
 - possibility to seize property of any person, if it can be used as evidence in criminal proceedings;
 - ensure compensation for damage caused by a criminal offense provide compensation for damage caused by a criminal offense;
 - collect into state budget undue benefits.
- «On Amendments to the Criminal and Civil Codes of Ukraine Relating to Improving an Institute of Special Confiscation to Eliminate Corruption Risks in its Application» (№ 770-VII).

The Law, inter alia, expands the application of special confiscation (only in case of corruption offenses) to all objects of criminal activity.

The Law is aimed to implement the EU Directive 2014/42/EU of the European Parliament and of the Council of 3 April 2014 on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union and to fulfil the recommendations of FATF.

- «On amendments to the Criminal Procedure Code of Ukraine Relating to Implementation by Ukraine of Visa Liberalisation Action Plan and Specification of Jurisdiction of Pre-trial Investigation Bodies» (№ 771-VII).

The purpose of the Law is to establish **a clear distinction of criminal jurisdiction between the pre-trial investigation bodies, such as the Ministry of Internal Affairs, the Security Service of Ukraine, prosecutor's institutions, the National Anti-corruption Bureau and the National Bureau of Investigation.**

In addition, the Law provides for limiting the powers of the Security Service of Ukraine, in particular its branch on pre-trial investigation of criminal offenses related to national security, defence and terrorism.

➤ For the purpose of **strengthening safeguards for the protection of the right of access to information, ensuring openness and transparency of government authorities, and preventing corruption in the sphere of access to public information** the following draft laws were developed and submitted for consideration of the Verkhovna Rada of Ukraine:

- «On amendments to Certain Laws of Ukraine on Access to Public Information Relating to Improvement of their Certain Provisions» (reg. № 2913);
- «On amendments to the Code of Ukraine on Administrative Offences to Strengthen State Control over Observance of the Right of Access to Public Information, Protection of Personal Data and Response to Addresses of Citizens» (reg. № 2043a).

3.3 Establishing an asset recovery institution

To fulfil recommendations of the EC Fifth Progress Report on the Implementation by Ukraine the Visa Liberalisation Action Plan (VLAP) the Verkhovna Rada of Ukraine on November 10, 2015, adopted the following Laws of Ukraine:

- «On the National Agency of Ukraine for identification, investigation and management of assets obtained from corruption and other crimes» (reg. № 3040);
- «On amendments to the Budget Code of Ukraine Relating to Ensuring the Functioning of the National Agency for identification, investigation and management of assets obtained from corruption and other crimes» (reg. № 3041).

According to the provisions of those Laws a national independent institution, authorized to conduct investigation, record, recovery and management of the seized proceeds and assets will be established, and institutional arrangements for detecting assets, which are subject to seizure, recovery and management of the seized assets are determined at the legislative level.

The Agency is authorized to manage assets (cash and bank precious metals, movable and immovable property, securities, property and other rights, confiscated assets) that are seized in criminal implementation, with prohibitions to dispose and use such assets, the amount or value of which equals or exceeds 200 minimum wages.

The National Agency's activity will be supervised by the public board by the external control commission (a mechanism similar to supervision of the National Anti-Corruption Bureau of Ukraine), and through publishing of the Agency's annual reports.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «Support to Justice Sector Reforms in Ukraine» (EU), project budget – 8.57 mln EUR for the period: 07.10.2013 – 06.12.2016;
- «Conducting national risk assessment of money laundering and terrorism financing in Ukraine» (OSCE), project budget – 267.8 thousand EUR for the period: 07.04.2015 – 15.05.2017;
- «Support Ukraine in counteracting money laundering and terrorism financing» (OSCE), project budget – 79 thousand EUR for the period: 01.02.2015 – 31.12.2015.

4. Judicial reform

Take further steps on judicial reform, in particular by adopting, in line with European standards and in close consultation with the Council of Europe/Venice Commission, a Justice Reform Strategy including a detailed, comprehensive implementation plan.

Certain progress was made in the justice sector reform.

4.1 Judicial reform

Judicial reform is one of the key areas of cooperation between Ukraine and the European Union. Reform of the justice system is closely linked to the completion of constitutional reform.

➤ On October 30, 2015, the Constitutional Commission finally approved the draft amendments to the Constitution of Ukraine in the part of justice (with the account of an opinion of the Venice Commission of October 23, 2015).

The draft amendments, inter alia, aim at:

- Depoliticizing and ensuring independence of the judiciary (removal of the Verkhovna Rada from the process of appointing judges; permanent appointment of judges on the proposal of the High Council of Justice);
- Increasing requirements and professional standards for the judiciary (the introduction of competitive selection procedures in the appointment of judges);
- Limiting the immunity of judges (up to the functional);
- Building institutional capacity in the system of procuracy, advocacy, and execution of court decisions.

➤ The Verkhovna Rada **adopted the Law of Ukraine «On Ensuring the Right to a Fair Trial»** (№ 192-VIII), which provides for a new edition of the Law “On the Judiciary and the Status of Judges”, and amendments to other legal acts.

The major innovations of the Law include the following:

- Introducing institute for assessment of the professional qualifications of judges and verification of their integrity;
- Introducing a judge's dossier, which will contain all information about a judge and his/her career;
- Improving the procedure for specialised training of a candidate to the position of a judge;
- Strengthening institute of the disciplinary accountability of judges;
- Developing a new procedure for the formation of the High Qualification Commission of Judges and the High Council of Justice of Ukraine on a transparent and competitive basis;
- Setting up a procedure of submitting applications for review of court decisions directly to the Supreme Court of Ukraine.

➤ **The Reform Strategy of the judiciary, judicial process and related legal institutions for 2015-2020 was approved** (Decree of the President of Ukraine № 276) prepared by the Judicial Reform Council¹⁶ with the expert assistance of the EU-funded project «Support to Justice Sector Reform».

The Strategy involves two stages of reform:

- immediate update of legislation aimed at restoring confidence in the judiciary and related legal institutions in Ukraine;
- systemic changes in legislation, including the adoption of amendments to the Constitution of Ukraine and comprehensive institutional capacity building of relevant legal institutions.

Specific tasks of ministries and other government authorities on implementation of the Strategy are envisaged in the relevant Action Plan, which was approved by the Judicial Reform Council.

➤ On August 19, 2015, the Cabinet of Ministers also approved Resolution № 684 «**On defining a mechanism of realization of the Action Plan to implement provisions of the Reform Strategy in the sphere of justice for 2015-2020**».

This regulatory act provides for identifying institutional coordinators/focal points (ministries and other public authorities) responsible for implementation of specific tasks of the Action Plan, in particular, development and implementation of the annual work plans, submission of proposals to amend the Action Plan, and other tasks related to implementing provisions of the Reform Strategy.

➤ On October 21, 2015, the Cabinet of Ministers at its meeting **approved the Concept of judicial reform**.

Key elements of the judicial reform are the following:

- Reloading a judicial system, election of new judges through transparent and independent competition, and formation of new Ukrainian courts;
- Establishment of a three-tier court system (local courts, courts of appeal, and the Supreme Court of Ukraine);
- Elimination of political influence in the selection of judges and bringing them to justice by the High Council of Justice and other authorities, which exercise control over the judicial system;
- The structure and system of courts shall be determined exclusively by the Laws of Ukraine.

¹⁶ The President of Ukraine (Decree No. 812 dated October 16, 2014) established the Judicial Reform Council.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «Support to Justice Sector Reforms in Ukraine» (EU), project budget – 8.57 mln EUR for the period: 07.10.2013–06.12.2016;
- «Judicial Education for Economic Growth» (Canada), project budget – 5.8 mln CAD for the period: 01.04.2012–31.03.2017.

Enforcement of court decisions

➤ In order to establish European standards for enforcement of court decisions and optimize stages of enforcement proceedings and terms of conducting executive actions **the draft Law of Ukraine «On Enforcement Proceedings» (reg. № 2507a)** was developed and submitted to the Verkhovna Rada.

To ensure effective enforcement, timely and full enforcement of court decisions, the draft law, in particular:

- Determined enforcement proceedings principles, aimed at ensuring protection of rights, freedoms and legitimate interests of physical and legal persons;
- Expanded the list of decisions that are subject to compulsory enforcement;
- provided for the formation of an open Unified register of debtors;
- Introduced automation of decision enforcement procedures through electronic registration of documents, complete recording of procedural decisions and enforcement actions in the computerized system;
- Optimized timing of enforcement actions;
- Provided for strengthening the responsibility of a debtor in enforcement proceedings, and substantial increase of fines imposed by an enforcement officer;
- Introduced a possibility to sell the seized property through electronic trading auctions, but within the restrictions established by the draft law.

The major innovation of the draft law is introduction of the institute of private enforcement officers as one of the promising directions for development of enforcement proceedings. At the same time, the draft law defines a list of decisions that shall be enforced by private enforcement officers (in cases, when a debtor is the State, government authorities, local self-government bodies and their officials, state enterprises and public utilities, institutions, organizations, legal entities, which are funded solely from the state and/or local budgets, or the share of the state in which exceeds 25%; in cases, when the claimant is the State, or government authorities; decisions that envisage performing enforcement actions with regard to state-owned or communal property, decisions on moving in and forced eviction of residents, etc.).

➤ To further develop provisions stipulated by the draft law "On Enforcement Proceedings", **a draft law relating to introduction of a mixed system of decision enforcement was elaborated** (Reg. No. 2506a), which, in particular, provides for including private enforcement officers into the system of enforcement of decisions of courts and other agencies (officers), and establishing the balance of powers of the private and state enforcement officers.

This draft Law of Ukraine, in particular:

- Establishes the principles of the State Enforcement Service activity, sets out increased requirements to the professional level of officers, who perform enforcement of decisions of courts and other agencies;
- Determines the legal status of private enforcement officers, regulates procedures of obtaining the right to exercise private enforcement activity, suspension and termination of the right to exercise private enforcement officer activity, and specifies remuneration policy;
- Establishes a new procedure for appeal against decisions, actions or inaction of enforcement officers.

On October 8, 2015, the Verkhovna Rada in the first reading approved those draft laws (№ 2506a and № 2507a).

4.2 Public prosecution reform

➤ **Law of Ukraine «On Amendments to the Law of Ukraine «On Public Prosecutor’s Office (relating to improvement and application of certain provisions)» (№ 578-VIII) was adopted.**

The Law defines the disciplinary proceedings against prosecutors, the selection of prosecutors and their disciplinary liability, and a list of administrative posts at military prosecutor’s offices, Specialised anti-corruption Prosecutor's office, and the procedure for appointment to these positions.

➤ **On July 15, 2015, the Law of Ukraine «On Public Prosecutor’s Office»¹⁷ came into force, which established new legal framework for the activity of prosecution.**

In order to implement the Law of Ukraine «On Public Prosecutor’s Office»:

- A new structure of the Prosecutor General’s Office of Ukraine and regional prosecutors’ offices was approved;
 - Staff number of prosecutor’s offices was reduced by more than 3 000 positions (the staffing level at prosecution bodies currently totals to about 15 000 persons).
- **Competitive selection process to the renewed local prosecutors' offices is ongoing.**

For the first time, 700 vacant managing positions in local prosecutors' offices have been open both to prosecution bodies’ employees and to persons, who did not work in the system, but have a law degree and 5-year professional experience.

Instead of existing 639 prosecutors' offices of rayon level there will be 178 local prosecutors' offices (the relevant provisions of the Law of Ukraine «On Public Prosecutor's Office» will be enacted from December 15, 2015)

In order to establish local prosecutors' offices, the following documents have been approved:

- Procedure for holding a four-stage open competition for managerial positions in local prosecutors' offices;
- Procedure for holding examinations/testing and competition for positions in local prosecutors' offices.

¹⁷ The Law of Ukraine «On Public Prosecutor’s Office» was adopted by the Verkhovna Rada of Ukraine on October 14, 2014.

Three stages of a competitive selection process were completed:

- On 16 September – examination of candidates for positions in local prosecutors' offices on the knowledge of legislation, which was attended by over 10 thousand participants;
- On 5 October – test on general competencies;
- On 17-18 October – psychological tests.

The fourth stage of a competitive selection – interviews with candidates – began on 21 October (its completion is scheduled for the end of November).

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «Support to Justice Sector Reforms in Ukraine» (EU), project budget – 8.57 mln EUR for the period: 07.10.2013–06.12.2016;
- «Judicial Education for Economic Growth» (Canada), project budget – 5.8 mln CAD for the period: 01.04.2012–31.03.2017.

4.3 Strengthening administrative capacity

➤ **Creation of the competent authority in the field of sanitary and phytosanitary measures is on the final stage:**

- The State Service for Food Safety and Consumer Protection was registered on July 31, 2015;
- The Head of this State Service was appointed as well as the Regulations on the State service approved and its cap number was set.

After approval of the structure, staffing, budget of the State service and filling of 30 % of vacancies in the State service the act of the Cabinet of Ministers on possibility of rendering the services the powers and perform the functions of the executive power, which terminated due to reorganization, will be published.

The activities of the State Service of Ukraine on Food Safety and Consumer Protection¹⁸ are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Agriculture and Food of Ukraine.

¹⁸ [Decree of the Cabinet of Ministers of 18 November 2015 № 942](#), please see Section III Scheme of coordination of the central executive bodies by the Cabinet of Ministers of Ukraine through the relevant members of the Cabinet of Ministers of Ukraine approved by the [Decree of the Cabinet of Ministers of Ukraine of 10 September 2014 № 442 «On optimization of central executive power»](#).

5. Public Administration reform

Start a comprehensive reform of the public administration, and in particular, the civil service and service in local self-government bodies focusing on European principles of public administration, including through the finalisation and adoption of the draft Law on Civil Service reform.

Public administration reform plays a fundamental role in the European integration process, ensuring building institutional and administrative capacity of government authorities, necessary for the implementation of key reforms and fruitful dialogue with the European Union. Consequently, the criteria of the EU enlargement require building the system of national public administration with the capacity to adhere to the principles of good governance and to effectively implement the EU acquis.

The key element of public administration reform is the reform of an institute of civil service and service in local self-government bodies.

However, one can state that **limited progress** was made in the civil service reform.

➤ On April 23, 2015, the Verkhovna Rada **adopted in first reading the draft Laws of Ukraine «On Civil Service»** (reg. № 2490) and **«On Service in Local Self-Government Bodies»** (reg. № 2489).

The draft Law «On Civil Service», *inter alia*, provides for:

- Introduction of a mandatory procedure for competitive selection and recruitment to the civil service, including to senior civil service positions,
- Separation of political and administrative positions in the ministries, and introducing positions of State secretaries in the Cabinet of Ministers and ministries;
- Clearly defined job classification and competence based requirements;
- Transparent mechanism for public servants' remuneration.

According to SIGMA experts' opinion, the draft law «On Civil Service» is in line with the European principles of public administration, and takes into account the experience of the EU member states.

On October 30, 2015 the Parliamentary Committee on state building, regional development and local self-government completed preparation of the draft Law of Ukraine «On Civil Service» (reg. № 2490) for the second reading. Consideration of this draft law in the second reading by the Verkhovna Rada is scheduled for the Parliamentary session in the week of 11-13 November 2015.

➤ In order to determine approaches and objectives for reforming of other elements of public administration (namely regarding the development and implementation of the public policy, optimisation of the system of government, improving the quality of administrative services, and introduction of unified principles of administrative procedure), the Government in cooperation with the SIGMA/OECD program and other international experts **designed the draft Strategy of public administration reform in Ukraine for 2015 – 2020 and an Action plan for its implementation.**

Work on finalizing these projects, based on the results of public discussion and proposals of the EU and OECD SIGMA experts, is ongoing.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the EU, including through involvement of SIGMA/OECD and SGUA (EC Support Group for Ukraine) experts.

6. Deregulation

Reduce the regulatory burden for business and in particular of SMEs, through reduction of the number of permits and licenses.

Serious progress was made in the sphere of deregulation.

With the purpose of reducing the regulatory burden of the State on business by means of simplifying procedures, reducing the number of control authorities and frequency of inspections, eliminating excessive permits and licenses, etc., the Government implemented a number of measures.

6.1 Public services

➤ On June 3, 2015, a **new online government portal *iGov.org.ua*** (<https://igov.org.ua>) **for providing public services to Ukrainian citizens** was launched. Some of such services are already provided via this government portal, online access to other public services is currently being prepared.

As of November 1, 2015, the online portal ***iGov*** made accessible 119 public services, including:

72 services – for citizens (in particular: in the fields of internal affairs and interaction with government authorities issues, construction, real estate and land relations, family and marriage issues, taxation);

47 services – for business (in particular: in the fields of construction, real estate, land relations, subsoil use, environmental protection, trade and foreign economic activities, culture, art and religion, medicine and education, as well as regarding the Unified State Register of legal entities and physical persons-entrepreneurs).

78 more public services are at preparation stage, and will become available through the online portal over the nearest months. It is planned to provide about 500 public services until end of 2015 via this portal, which is 20% per cent of a total number of documents, issued by government bodies.

➤ The Ministry of Justice of Ukraine **introduced an online service** (<http://minjust.gov.ua/services>) **for providing information and certain services via the official website of the Ministry**, regarding the following:

- State registration of legal entities and physical persons-entrepreneurs;
- State registration of rights to immovable property;
- State registration of civil status acts;
- Activity of arbitration managers;
- Conducting online auctions for the sale of seized property;
- Judicial system.

Documents obtained online have the same official status as the hard copy (paper) documents.

6.2 Reducing the number of permits and licenses, limiting number of inspections, and simplifying doing business

➤ **The Action plan on deregulation of economic activity approved and is being implemented** (Resolution of the Cabinet of Ministers № 357 dated 18 March 2015).

The Action plan contains 131 tasks and measures, aimed at removing regulatory and administrative barriers that hinder efficient entrepreneurship activity.

The Action plan provides for improvement of licensing and permits procedures, technical regulation procedures, State supervision (control), customs and tax regulations, conditions of entrepreneurship in the agricultural, food, construction industry, electricity, oil and gas sectors, information technology, and telecommunications.

Information on the Action plan implementation is published on the official website of the State Regulatory Service (<http://www.dkrp.gov.ua/info/4614.htm>).

➤ **Licensing procedures were simplified, and the terms of getting special licenses and certificates for companies working in the spheres of agriculture, fuel and energy, and in the food industry were reduced** (Resolution of the Cabinet of Ministers № 42 dated 28 January 2015):

- In the agrarian sector the terms for issuing quarantine and phytosanitary certificates were reduced (from 5 days to 1 day), mandatory quarantine certificate for the transportation of grains and oilseeds was cancelled (from now on it will be issued only at the request of companies), as well as the need to get a quarantine certificate for internal transportation.

These innovations would assist in solving problems with delayed shipments, would lead to reducing extra costs to companies during transportation of grain and, as a result, would contribute to lowering the costs of supply chains of Ukrainian agricultural products;

- Procedures in the subsoil use sector were simplified (monitoring and scientific support were ruled out from mandatory conditions for granting special authorization on subsoil use);
- State registration of dietary food products was eliminated.

➤ **Licensing regulation of the types of economic activity was improved in the part of simplifying administration of licensing procedures both for business and for government** (the Law of Ukraine № 222-VIII).

The Law of Ukraine «On Licensing the Types of Economic Activity» provides for:

- Reducing the number of types of economic activity that are subject to licensing from 56 to 30;
- Establishing non-mandatory registration of a license as a document in hard copy (paper) form, introducing principles of distant, particularly electronic licensing;
- Establishing a unified information base for entering information on licensing;
- Strengthening control over the licensing authorities;
- Creating the possibility of granting licenses for certain types of economic activity at the local level.

Implementation of the provisions of this Law will foster raising the rating of Ukraine according to the classification by the World Bank through creation of more favourable conditions for entrepreneurship development, and improvement of investment attractiveness of Ukraine.

➤ On April 7, 2015 the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine Relating to Facilitation of Conditions for Doing Business (deregulation)» (№ 191-VIII) entered into force, which provides for:

- Reducing the number of permit documents by 16 (permits, decisions, conclusions, approvals);
- Setting up the term for registration business of no more than 2 days (previously the term was 5 days);
- Introducing the issue of permit documents through the centres for providing administrative services.

➤ The Law of Ukraine «On Amendments to the Law of Ukraine «On Plant Quarantine» (№ 617-VIII) was adopted, aimed at **reforming the system of state regulation and control in the field of plant quarantine with the purpose of deregulation and preventing corruption.**

The amendments, in particular, provide for:

- Reduction of the period of time for issuing phytosanitary and quarantine certificates up to 24 hours after loading the vehicle;
- Introduction of separate lists of quarantine control facilities and transporting plants in order to import, export or re-export, and within a country;
- Publication on official government web-portals the information (within one working day from the date of its receipt) on the developed and/or revised phytosanitary measures, and phytosanitary measures in destination countries, the results of risk analysis, decisions on introduction or abolition of quarantine regimes, including the list of territories that have introduced a quarantine regime;
- Abolition of mandatory check-up requirement for the transportation and cultivation of plants;
- Introduction of the mandatory issuance of a quarantine certificate only in case of exporting the plants outside the quarantine zone.

➤ The new list of 26 licensing authorities was endorsed (Resolution of the Cabinet of Ministers № 609 dated August 5, 2015). Consequently, the following government agencies **were deprived of their licensing powers:**

- State Geological and Mineral Resources Service (*on extraction of precious stones*);
- State Veterinary and Phytosanitary Service of Ukraine (*on production of veterinary medicines*);
- Ministry of Agrarian Policy and Food of Ukraine (*on trade in pesticides and agrochemicals, breeding (genetic) resources, carrying out fumigation (disinfection)*);
- State Space Agency of Ukraine (*on missiles production*);
- State Service of Ukraine for Geodesy, Cartography and Cadastre (*on land valuation activities and land auctions*);
- Ministry of Youth and Sports of Ukraine (*on genetic engineering activity in a closed system*);
- State Intellectual Property Service (*on production of discs for laser reading systems and matrices*);
- Ministry of Energy and Coal Industry of Ukraine (*on trade in liquid fuels made of biomass (excluding ethanol) and biogas*).

➤ **Shorter terms for providing services of the state registration of rights to immovable property and fixed amount of payments for provision of such services were set up** (Resolution of the Cabinet of Ministers № 669 dated September 2, 2015):

- 3 and 5 working days (for processing applications, instead of 14 working days under the current legislation) – at double amount of the administration fee for state registration of rights to immovable property;
- 1 working day – at 5 times amount of the administration fee for the state registration of rights to immovable property;
- 2 hours – at 10 times amount of the administration fee for the state registration of rights to immovable property.

Along with this, shorter terms for obtaining information from the State register of rights to immovable property was set up – information in hard (paper) copy can be obtained within 30 minutes for triple pay.

➤ The National Bank of Ukraine **improved the procedure of foreign exchange control by commercial banks for exports of services** between Ukrainian freelancers and foreign clients.

In particular, requirements for documents confirming performance of works in order to receive money were simplified. Now, for the sake of monitoring/control commercial banks can use ordinary invoices with a performer's signature and a printed copy of the offer, and determine themselves whether it is necessary to translate the documents into Ukrainian.

➤ The National Bank of Ukraine also **simplified procedures for registration of international Internet payments**, established in countries with high standards in the financial sector and international oversight standards for payment and settlement systems.

The international systems of internet payments (*such as PayPal, ApplePay, GoogleWallet and others*) have the right to carry out full-fledged activities in Ukraine after the required information is entered into the Register of payment systems, settlement systems, participants of these systems and service operators of payment infrastructure of Ukraine.

➤ On September 20, 2015 came into effect those provisions of the Law of Ukraine «On the Basic Principles and Requirements for Safety and Quality of Food», which **abolish mandatory provision the original of international veterinary certificate when unloading containers from ships**. This not only simplifies the customs service in Ukrainian ports, but also allows businesses to save time on checking cargo.

➤ On September 30, 2015, **licenses for export of products from nonferrous metals were cancelled** (Resolution of the Cabinet of Ministers № 773).

➤ On October 16, 2015, **Form № 2 of mandatory veterinary certificate was abolished**.

Form № 2 of the veterinary certificate used to be issued with the purpose to identify the point of origin of grain and to track trade flows of fodder grain. However, the information in the certificate duplicated the information provided in the bill of lading. The decision of the Government provides for a voluntary procedure of obtaining the certificate when transporting grain, submitting to authorities of the veterinary and sanitary control a copy of bill of lading and specifying the point of origin of the grain.

➤ In order to establish a fundamentally new model of the system of State registration of business and rights to immovable property through the decentralization of powers in these fields, the following draft laws have been developed:

- «On State Registration of Proprietary Rights to Immovable Property and Their Encumbrances» (reg. № 2982).

The draft law defines a wide range of subjects of the state registration of rights to immovable property, including notaries and other entities accredited by the Ministry of Justice, and also grants an applicant the opportunity to freely choose the subject for providing the appropriate services. This will contribute to getting rid of monopoly in the market of these services.

- «On State Registration of Legal Entities, Physical Persons - Entrepreneurs and Non-governmental Organisations» (reg. № 2983). This draft law:
 - For the first time creates a common information platform, the authenticity of which is the responsibility of the State, and which will contain all information regarding an business entity, including all permits issued to it;
 - For the first time unifies the procedure of registration of all existing types of business entities and non-business organizations in a single legislative act;
 - Simplifies the procedure of state registration, bringing it closer to the client, and, in particular reduces the number of documents required for the state registration;
 - Provides for delivering services in the field of registration on the principle of «a single window».

Those draft laws (Reg. No. 2982 and 2983) were adopted in the first reading on July 14, 2015.

➤ To ensure implementation of European standards in resolving insolvency and the ease of doing business, a draft law on amendments to the legislation on bankruptcy was developed and submitted to the Verkhovna Rada (reg. № 3163). The draft law provides for:

- Limiting the possibility of delaying insolvency proceedings;
- Strengthening the rights of secured creditors through web access to information about a debtor, and empowerment of creditors in bankruptcy proceedings;
- Improving procedure of appointment of a manager of debtor's assets, eliminating possibility of his/her appointment by the economic court without the use of an automated system;
- Improving procedures for sale and acquisition of a debtor's assets.

6.3 Protecting interests of business

➤ In order to protect the rights of large companies, small and medium enterprises (SMEs) and private entrepreneurs, **the Business Ombudsman Council started its work** on 20 May 2015.

Any legal entity or individual, doing business in Ukraine, in case of violation of their rights by central or local government authorities, state companies and their officials, may submit a complaint to the Business ombudsman. A complaint may be submitted online through the web site of the Council (www.boi.org.ua), e-mail (info@boi.org.ua) or by post. The Business ombudsman may also begin its own investigation if he/she becomes aware of violations from other sources, including mass media.

The Business Ombudsman Council signed the memoranda of partnership and cooperation with the State Regulatory Service and with the Ministry of Justice of Ukraine.

Within the framework of implementing the Memorandum with the State Regulatory Service, the parties plan to interact and cooperate with central and local authorities and make recommendations on implementation of business deregulation policy, improve the business environment, and prevent corruption and other abuses of legitimate private business interests.

Within the framework of implementing the Memorandum with the Ministry of Justice, the Business Ombudsman Council plans to:

- Provide recommendations to the Ministry and its agencies, as well as to the central and local government authorities on simplifying conditions for doing business and preventing corruption;
- Prepare proposals for improving legislation on the enforcement of court decisions, the state registration of legal entities and individual entrepreneurs, the state registration of rights to movable and immovable property, bankruptcy, the use of electronic signatures, and other issues.

In addition, the parties will work towards identifying and eliminating provisions in legislation that restrict business activity, and monitoring violations of business interests by government officials

On July 28, 2015, the Business Ombudsman Council presented the first quarterly report with the information on its operation during April-June 2015, including the number, categories and geographical distribution of complaints received, complaints reviews and their results. The text of the Report is posted on the Council's website: <https://boi.org.ua/en/publications/reports>.

➤ On August 10, 2015, **State Fiscal Service of Ukraine established an Institute of the Commissioner for entrepreneurship**. The Commissioner started its work on a voluntary basis.

The main task of the Commissioner for entrepreneurship is to arrange a meaningful and transparent dialogue between business and the State Fiscal Service of Ukraine. The taxpayers can address the Commissioner regarding either individual complaints or systemic issues relating to the administration of taxes and fees. In addition, the business can propose legislative initiatives to the Commissioner.

Complaints and proposals can be sent via e-mail (tax_ombudsman@sfs.gov.ua) or to the address the State Fiscal Service of Ukraine.

➤ On September 9, 2015 the Minister of Economic Development and Trade announced the **establishment of a Deregulation Office** – non-governmental institution with the main objective to systematically review legislation in the regulatory sphere, and evaluate the effectiveness and appropriateness of each individual restrictive measure

Deregulation Office will be comprised of lawyers, analysts and market experts. The Head of the Office has been appointed. The Office activity will be funded by international organizations.

➤ Ukraine's ranking improved to 83rd, moving up by 13 positions, according to the **updated annual ranking** on the Ease of Doing Business of the World Bank Group (<http://www.doingbusiness.org/rankings>), **published** on November 26, 2015.

Ukraine continues to improve its results for the second year in a row. In 2014, Ukraine's ranking on the ease of doing business improved from 112th to 96th (by 16 positions).

Analysis of the World Bank Doing Business group finds that a key reform that contributed to improvement of Ukraine's ranking in 2015 was simplification of business registration procedures.

According to Doing Business' data, to register a business in Ukraine one need to complete 4 procedures which takes no more than 7 days.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the EU in the framework of the **Programme EU SURE (EU Support to Ukraine to Re-launch the Economy)**.

7. Public procurements reform

Improve transparency and competitiveness in public procurement. Bring the list of exceptions from the sphere of public procurement in line with the EU public procurement directives. Ensuring competitive procurement and access to information related to public procurement, in particular by public enterprises.

Significant progress was made in reforming the system of public procurement.

The Government continued to work on further approximation of legislation in the field of public procurement to the EU legislation, and its implementation according to the best international practices and standards in this field.

7.1 Implementation of the EU standards

➤ On September 15, 2015, **the Law of Ukraine «On Amendments to Certain Public Procurement Legislative Acts Relating to Bringing them in Compliance with International Standards and Taking Measures to Combat Corruption» (№ 679-VIII) was adopted.**

The purpose of The Law is aimed at significant reduction of corruption risks, establishment of safeguards against abuse during public procurement procedures, increasing the level of competition by facilitating participation of businesses in procurement procedures, bringing the public procurement system to international standards, etc.

The Law, inter alia, provides for:

- Increase of monetary thresholds, while applying provisions of the Law of Ukraine "On Public Procurement", for procurement of goods or services – from 100 thousand UAH to 200 thousand UAH, and for procurement of works – from 1 mln UAH to 1.2 mln UAH;
- increase of a monetary threshold for applying the procedure of request of price offers up to 500 thousand UAH;
- Set up a ban to disclose the content of submitted proposals, which are already in the public domain;
- Opportunity to amend price offer requests;
- Mandatory publishing the protocols of the tender committee meetings;
- Disclosure of the content and price of submitted offers.

➤ The Ministry of Economic Development and Trade, with the support of the EU project «Harmonization of Public Procurement System in Ukraine with EU Standards», **developed a draft Strategy of Reform of the Public Procurement System in Ukraine (Roadmap) for 2015-2032. After approval of the Government the draft Strategy would be submitted for consideration to the EU-Ukraine Association Committee.**

The draft Roadmap, in particular, provides for:

- Phased transition to a single electronic procurement system;
- Harmonization with 5 EU Directives;
- Reorganization of regulatory and supervision institutions in the field of public procurement;
- Professionalization of the public procurement system through replacement of tender committees by officials, who are experts in the field of public procurement;
- Accession to the WTO Agreement on Government Procurement (GPA).

➤ To further reform and harmonize the rules and practices of public procurement in Ukraine to EU standards the **draft Law of Ukraine «On Public Procurement»** was elaborated. This draft Law provides for:

- Introducing the system of electronic procurement and electronic appeal;
- Implementation of procurement procedures, exchange of information, providing documents and explanations in the e-procurement system;
- Implementation of Directives 2014/24/EU and 2014/25/EU in the framework of the Association Agreement;
- Promoting transparency in the use of budget funds, etc.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the Project «Harmonisation of competition and public procurement systems with EU standards» (EU), project budget – about 4 mln EUR for the period: 05.11.2013–04.11.2016.

➤ In order to settle the issue of compliance of the provisions of the Law of Ukraine «On Antimonopoly Committee of Ukraine» with the Law of Ukraine «On public procurement» the [draft Law of Ukraine «On amendments to the Law of Ukraine «On Antimonopoly Committee of Ukraine»](#) (reg. № 3394) was submitted to the Verkhovna Rada of Ukraine.

The draft Law aims to resolve the issue to avoid duplication of the requested information by the Antimonopoly Committee of businesses, associations, government bodies, local self-government bodies of administrative management and control, its officers and employees, and other individuals and entities, which has been given by them the twelve months before the day of receipt of such request, to any entity of the Antimonopoly Committee and this information has not been changed.

7.2 Transparency in public procurement. Introducing e-procurement

➤ **The pilot electronic procurement system ProZorro** (www.prozorro.org) was launched.

Public procurement of goods – up to 100 thousand UAH, and services – up to 1 mln UAH, are carried out through this electronic system.

The main objective of the system is to ensure the transparency of the public procurement process, to increase the confidence on the part of business, and to combat corruption. Electronic system simplifies the access of small and medium businesses to public bidding, allows spending budget funds more efficiently, and provides public control over the process of bidding.

As of October 1, 2015, 831 clients and 3301 suppliers were registered in the system ProZorro; 11800 tenders were announced for the amount about 3.7 bln UAH (1890 tenders for the amount of 420 mln UAH completed, savings – up to 303.56 mln UAH).

➤ On 27 June 2015, **the Procedure on carrying out the experiment on use of electronic instruments during negotiating procedure of procurement** entered into force (Order of the Ministry of Defence of № 257 of 12 June 2015).

According to the Order, in case of using the negotiating procedure of procurement all procurements of the Ministry of Defence of Ukraine are carried out in electronic format and on electronic platforms, with which memoranda on cooperation were concluded.

7.3 Accession of Ukraine to the WTO Agreement on Government Procurement (GPA)

➤ On June 22, 2015, in the framework of negotiations **on accession to the WTO Agreement on Government Procurement**, Ukraine submitted the final package of documents, approved with the GPA parties (including monetary thresholds, lists of government authorities, goods and services procured), to the WTO Committee on Government Procurement for the purpose of its dissemination among the WTO members and consideration at the next GPA Committee meeting.

It is expected that a decision on accession of Ukraine to the GPA will be approved during the Tenth Conference of WTO Ministers (15-18 December 2015).

As a result, Ukraine will get access to public procurement markets of 14 countries and customs territories (Canada, Hong Kong (China), Iceland, Israel, Japan, Korea, Liechtenstein, Aruba (the Netherlands), Norway, Singapore, Switzerland, Taiwan, United States and Armenia), and the EU on behalf of its 28 Member States.

More detailed information on public procurement reform can be found on the official website of the Ministry of Economic Development and Trade of Ukraine.

8. Taxation reform, including VAT refund

Take steps to improve the efficiency of the tax administration, including when dealing with VAT refund claims, to ensure timely settlement of all recognised VAT refund claims, avoiding any form of discrimination.

Certain progress was made in reforming the efficiency of tax system, including VAT refunds

8.1 Tax system reform

➤ **The norms that allow reforming the tax system of Ukraine** were established (by the Law of Ukraine «On Amendments to the Tax Code of Ukraine and Certain Laws of Ukraine Relating to Tax Reform» (No. 71-VIII) that was entered into force on January 1, 2015).

In particular:

- The number of taxes and duties were reduced from 22 to 11 (3 – eliminated, 13 – transformed into 5);
- The new electronic system for the administration of VAT was introduced;
- The system of corporate income tax (CIT) was reformed;
- A number of industry specific tax benefits were called off; in particular, a list of sectoral benefits on corporate income tax was reduced.

Implementation of the Law provisions will allow to facilitate doing business in Ukraine, reduce time for taxpayers to complete the required procedures for declaring the amounts of taxes and their payment.

➤ On September 3, 2015, **the Ministry of Finance presented its vision on a draft Tax reform at the meeting of the National Reform Council.**

The aim of the tax reform is to build a simple, transparent and fair tax system, which would stimulate investments, create incentives for sustainable national economic growth, and at the same time secure sustainable and continued funding for the State budget and local budgets to implement priority expenditures.

Among the main tasks of tax reform is reducing the tax burden on law-abiding citizens and honest business, while also returning to the tax ground those evading or minimizing taxes.

In the framework of tax reform is planned to:

- Unify the rates of a single social contribution (SSC) and the three key taxes – corporate income tax, value added tax and personal incomes tax. It is planned that from 2016 they will be paid at a flat rate – 20%;
- Withhold SSC on gross salaries (3.6%);
- Establish a tax social benefit for all taxpayers at the level of 1 minimum wage;
- Introduce an investment tax credit on corporate income tax;
- Increase the threshold of mandatory registration for VAT payers from 1 to 2 mln UAH;

- Eliminate from January 1, 2016, special taxation regime in the fields of agriculture, forestry and fishing, which is a requirement under the Memorandum of Economic and Financial Policies with the IMF. At the same time, it is proposed to restore the right to VAT refund for all exporters of grain and technical crops;
- Waive benefits and introduce transparent direct budget support to the business.

In order to strengthen the financial autonomy of local budgets it is proposed:

- To cancel tax benefits on property tax for commercial real estate and warehouses;
- To increase the maximum property tax rate from 2% to 3% of the minimum wage;
- For «luxury» apartments and houses (300/500 sq. m.) to set the property tax rate in the amount of 25.000 UAH for an apartment/house;
- To levy transport tax on new passenger cars (not older than 5 years) of «luxury» and «premium» class at the rate of 25 thousand UAH, if cars cost over 1 mln UAH.

In order to simplify the administration of taxes and fees it is supposed to:

- Reduce the number of tax inspections;
- Introduce a one-tier administrative appeal procedure;
- Ensure development of electronic services;
- Introduce a system of electronic administration of excise tax;
- Introduce a system of automated accounting of trade turnover from an importer/manufacturer to a final consumer;
- Ensure the stability of tax legislation, in particular through introduction of a 3-year moratorium on changes.

In Ukraine, at the initiative of the Prime Minister the project «National dialogue: discussion of the tax reform concept» has been recently launched.

8.2 Administration of VAT

➤ With the purpose of **ensuring further improvement of the system of electronic administration of VAT** the Law of Ukraine «On Amendments to the Tax Code of Ukraine Relating to Improvement of the Administration of Value Added Tax» (№ 643-VIII) was developed with participation of business community and civil society organizations and adopted by the Verkhovna Rada of Ukraine.

Adoption of the Law contributed to:

- Improving the system of electronic VAT administration, which was functioning in a test mode since February 1, 2015, and was transferred to regular mode since July 1, 2015;
- Correcting errors committed by taxpayers during the system operation in a test mode;
- Implementing a number of positive changes in compilation of consolidated tax invoices and maintenance of VAT records.

Today the system of electronic VAT administration is functioning smoothly in a regular mode.

➤ To create comfortable conditions for the taxpayers **electronic services, which make it possible to obtain information from the system of electronic VAT administration, were introduced.**

➤ In the State budget of Ukraine for 2015 it had been taken into account reforms of the budget and tax legislation, aimed at **ensuring timely value added tax refund** in accordance with tax regulations and preventing budget arrears in VAT refund.

Electronic administration of VAT ensures conformity between the paid and accrued VAT, and makes it impossible to make up a fictitious VAT and then illegally compensate it from the budget. As of today, all legislative and by-law acts necessary for the functioning of electronic VAT administration system were adopted.

During nine months of 2015, 45.544 bln UAH was refunded to VAT payers, including 25.511 bln UAH – in automatic mode.

Entities with a share of foreign capital were refunded 19.361 mln UAH, including 12.625 mln UAH in automatic mode. VAT payers of the European Union countries were refunded 13.738 bln UAH, including 8.976 bln UAH in automatic mode.

9. External audit

Based on recent reforms, continue to develop the external audit function to strengthen the system of checks and balances.

Significant progress was made in reforming the system of external audit.

➤ In April 2015, the Accounting Chamber of Ukraine received **additional powers on the audit of the State budget revenues** (by the Law of Ukraine № 274-VIII).

Thus, the Law of Ukraine «On Accounting Chamber» was brought into conformity with Article 98 of the Constitution of Ukraine, according to which the Accounting Chamber is empowered to oversight, on behalf of the Verkhovna Rada of Ukraine, the revenues to the State budget and their use.

These powers are in line with the standards of the International Organization of Supreme Audit Institutions (INTOSAI), which specifically stipulate that the supreme body for public finance audit should be empowered with maximum wide control over tax revenues and, for this purpose, have access to tax returns and other documents.

➤ On July 2, 2015 the Verkhovna Rada adopted a **new version of the Law of Ukraine «On Accounting Chamber»** (№ 576-VIII), which was drafted with expert assistance of the GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and the World Bank.

The Law defines the status of the Accounting Chamber as a public collegial body with the organizational, functional and financial independence, which exercises control over revenues to the State budget of Ukraine and their use.

The Accounting Chamber conducts performance assessment and financial audit concerning:

- State-owned property management;
- Public debt management;
- Public procurement;
- Implementation of national target programs, investment projects, government orders;
- Provision of state aid to economic entities, execution of budget revenues and expenditures of the National Bank of Ukraine.

The objects under control of the Accounting Chamber are government authorities, local self-government bodies, other budget-funded institutions, including foreign diplomatic missions of Ukraine, economic entities, public or other organizations, state social and pension insurance funds, the National Bank of Ukraine and other financial institutions.

To ensure transparency, the Accounting Chamber submits quarterly to the Verkhovna Rada its conclusions on implementation of the Law on State Budget of Ukraine together with proposals to eliminate deviations and violations, and regularly informs the Parliament and the President of Ukraine on the results of public external control (audit), including facts of violation of budget legislation. Moreover, the Accounting Chamber also prepares and submits to the Verkhovna Rada an annual report on its activity, and posts the report on the official website for open public access.

➤ In order to implement the new edition of the Law of Ukraine «On the Accounting Chamber», **Methodological recommendations on conducting financial audit by the Accounting Chamber** (http://www.ac-rada.gov.ua/doccatalog/document/16746274/Metod_rek_fin_audit.pdf) were endorsed by Decision of the Accounting Chamber of Ukraine № 5-5 of September 22, 2015.

Methodological recommendations have been developed according to the requirements and provisions of the International Standards of Supreme Audit Institutions (ISSAI), in particular, the Fundamental Principles of Public-Sector Auditing (ISSAI 100), Fundamental Principles of Financial Auditing (ISSAI 200) and the INTOSAI General Auditing Guidelines on Financial Audit (ISSAI 1000-1999).

The document contains practical recommendations for organising and conducting financial audit, specifies criteria for evaluation and its main stages.

10. Energy sector reform

In line with the Third Energy Package, accelerate the unbundling and restructuring of Naftogaz, adopt the law on the new regulatory body for gas, electricity and utilities and submit, for consultation with the EU side, draft laws on the gas and electricity market.

Serious progress was made in reforming of the energy sector

➤ On October 31, 2015, **most provisions of the Law of Ukraine (№ 329-VIII) «On the Natural Gas Market» came into force.** The law was developed with the aim of creating an efficient competitive environment in the market of natural gas in line with the requirements of the European Third Energy Package, including Directive 2009/73/EC concerning common rules for the internal market in natural gas, and Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks.

➤ In order to implement the Law of Ukraine «On the Natural Gas Market» the following draft laws have been elaborated and submitted to the Verkhovna Rada of Ukraine:

- **«On amendments to the Tax Code of Ukraine Relating to Creation of Preconditions for a New Model of Natural Gas Market»** (reg. № 3073), which would provide for bringing elements of VAT, rent for the use of subsoil for the extraction of natural gas and the collection of a target surcharge to the current tariff on natural gas for consumers of all forms of ownership in line with the provisions of the Law of Ukraine «On the Natural Gas Market»;
 - **«On amendments to the Customs Code of Ukraine Relating to Creation of Preconditions for a New Model of Natural Gas Market»** (reg. № 3074), which, in particular, would allow for implementation of the substitution transactions of natural gas by the Ukrainian GTS operator PJSC «Ukrtransgaz»;
 - **«On amendments to Certain Laws of Ukraine to Ensure Conditions for Functioning of Natural Gas Market»** (reg. № 3325), which provides for making conceptual amendments to the Code on Administrative Offences and about fifteen Laws of Ukraine (in particular, the laws «On Pipeline Transport», «On Oil and Gas», «On Natural Monopolies», «On State Property Privatization», «On Ensuring Commercial Accounting of Natural Gas»).
- On September 30, 2015 **the Government approved:**
- The **Procedure of opening (closing) current accounts** with a special use regime for enrolment of funds received for the consumed natural gas, and the Procedure of payments for the consumed natural gas; and also **determined the authorized banks for servicing current accounts** of natural gas suppliers with a special use regime in order to ensure payments for the consumed natural gas (Resolution of the Cabinet of Ministers of Ukraine № 792);
 - The **Procedure for setting up a natural gas insurance reserve** (Resolution of the Cabinet of Ministers of Ukraine № 795);

- The **Procedure for holding competition/tender to determine a provider of “last resort”** (Resolution of the Cabinet of Ministers № 809);
- Determined that **independent examination** of the initial data on projects for construction of gas transportation or gas distribution system facilities **shall be carried out by independent organisations**, which meet the criteria laid out by the Ministry of Regional Development, Construction and Municipal Economy (Resolution of the Cabinet of Ministers № 813); and mandated the Ministry of Energy and Coal Industry, with agreement of the Ministry of Regional Development, Construction and Municipal Economy, to ensure formation and publication on the official website the list of relevant independent organizations.
- Also, **the National Commission for State Regulation of Energy and Public Utilities** at its meeting on September 30, 2015 **endorsed a number of by-laws needed for implementation of the new Law of Ukraine «On the Gas Market»**, including the following:
 - Code of gas transportation system (Decision № 2493);
 - Code of gas distribution systems (Decision № 2494);
 - Code of gas storage facilities and criteria, according to which a contractual access regime or a regulated access regime is applied to a certain gas storage facility (Decision № 2495);
 - Rules of natural gas supply (Decision № 2496);
 - Standard natural gas transportation contract (Decision № 2497);
 - Standard contract of natural gas distribution (Decision № 2498);
 - Standard contract for storage (injection, extraction) of natural gas (Decision № 2499);
 - Standard contract of natural gas supply to residential consumers (Decision № 2500);
 - Standard contract of natural gas supply by a provider "of last resort" (Decision № 2501);
 - Algorithm for distribution of funds, enrolled on current accounts with a special use regime (Decision № 2516);
 - Methodology to determine and calculate tariffs for transportation of natural gas for the entry and exit points based on multi-year incentive regulation (Decision № 2517).

On November 4, 2015 at the meeting of the Verkhovna Rada Committee on fuel and energy complex, nuclear policy and nuclear safety **the Director of the Energy Community Secretariat Janez Kopač underlined that Ukraine had mostly advanced in reforming two sectors – gas and electricity**, and noted that due to the pace of reforms in the gas sector in line with European standards Ukraine demonstrated to the Energy Community and other international institutions that it could become a really reliable gas partner for the European Union.

➤ The Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine on Ensuring Transparency in Extractive Industries» (№ 521-VIII) **introduced international accounting standards to increase transparency in extractive industries** and improve natural resource management system.

In particular, the Law obliges subsoil users and holders of special permits to use oil and gas subsoil to provide and publicize information on national and local taxes and fees, other payments, and on production (economic) activities. For its part, public management authorities have to disclose information on the geological study, use and protection of natural resources.

➤ The Government also endorsed an **Action plan on introducing Extractive Industries Transparency Initiative for 2015** (resolution of the Cabinet of Ministers of Ukraine № 910 of September 8, 2015).

The Extractive Industries Transparency Initiative (EITI) is an international organisation, which maintains a standard, assessing the levels of transparency regarding countries' oil, gas and mineral resources, applied in 46 countries. Ukraine was accepted as an EITI Candidate country on 17 October 2013.

The main instrument of the EITI Standard implementation by a country is a Work plan that is developed and approved by a Multi-stakeholder group (MSG). In Ukraine the MSG composition, comprising of six representatives from central government authorities, six – from extractive companies, and six – from civil society organisations, was established by the Ministry of Energy and Coal Industry (order № 496 of July 8, 2014).

One of the major requirements of the EITI is the production of comprehensive annual reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies. The report should cover data no older than the second to last complete accounting period, which means that the 2015 report should contain data of 2013. All extractive companies that make significant payments to government have to be involved in the report preparation.

Ukraine had to produce its first EITI report (on oil and gas sectors) by October 17, 2015.

➤ Due to unforeseen circumstances, which arose while collecting the necessary data for the first EITI report, and given the complex political situation in the country that affected the EITI report preparation period, and according to the decision of the Multi-Stakeholder Group on EITI implementation, **the Ministry of Energy and Coal Industry in October 2015 addressed the Chair of the EITI Board with a request for an extension of producing the first EITI report.**

According to the EITI International Secretariat procedure for assessing such extension requests, the new deadline for publishing the report will be determined no earlier than November 12, 2015.

The Ministry of Energy and Coal Industry, jointly with the EITI National secretariat and Independent Administrator – International audit company Ernst &Young, is now finalizing preparation of the first report according to the EITI Standard requirements, in particular, processing the data of the State Fiscal Service on payments to the state budget by extractive companies in 2013.

➤ The **draft Law of Ukraine «On the National Commission for State Regulation of Energy and Public Utilities of Ukraine»** (reg. № 2966) is under consideration of the Verkhovna Rada of Ukraine.

The draft Law is aimed at improvement of the state regulation in the energy sector, setting up in legislation the status of the Commission as an independent public collegiate body, as well as fulfilment of Ukraine's commitments under the Association Agreement between Ukraine and the European Union and the provisions of the EU Third Energy Package

The final version of the draft law, worked out by the MPs and experts, has been sent to the Energy Community Secretariat.

➤ Jointly with the Secretariat of the Energy Community a **draft Law of Ukraine «On the Electricity Market»** has been prepared, which takes into account requirements of Directive 2009/72/EC concerning common rules for the internal market in electricity and Regulation (EC) № 714/2009 on conditions for network access for cross-border exchange of electricity (*components of the EU Third Energy Package*).

The presentation of the draft law was held on July 3, 2015 with participation of the leadership of the Ministry of Energy and Coal Industry, MPs – members of the Verkhovna Rada Committee on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety, Director of the Energy Community Secretariat, representatives of the energy enterprises, experts on energy issues, participants of the energy market, representatives of non-governmental organizations and media.

At present, the Ministry of Energy and Coal Industry is finalising preparation of the draft law, based on consultations with all stakeholders, for the submission to the Cabinet of Ministers.

➤ **The Plan to reform the gas sector, which provides for restructuring of the Naftogaz of Ukraine until 2017** (approved by Resolution of the Cabinet of Ministers № 375 of March 25, 2015), is being implemented. The Plan was prepared in consultations with the World Bank and the Energy Community Secretariat.

As part of the Plan implementation, and as a result of consultations with the Secretariat of the Energy Community and the international consultants, the NJSC «Naftogaz of Ukraine» is selecting a model of unbundling for the state-owned gas transmission system, which is not subject to privatization (model of unbundling OU, or ISO).

➤ On October 21, 2015, **the Government adopted a plan of measures to reform corporate management of the NJSC «Naftogaz of Ukraine»**. A key element of the plan is the establishment of a full Board of Directors, which will consist of independent directors and representatives delegated from the Ukrainian government, who will exercise real control over all activities of the company.

The adoption of the plan of reforming the NJSC «Naftogaz of Ukraine» is a prerequisite of obtaining the revolving credit facility for the purchase of gas from European companies.

➤ On October 3, 2015, **the NJSC «Naftogaz of Ukraine» and the European Bank for Reconstruction and Development (EBRD) signed a 300 mln USD Loan Agreement in order to finance gas purchases from Europe in winter.**

III. POLITICAL DIALOGUE AND FREEDOM, POLITICAL ASSOCIATION

The main objectives of this part of the Agreement, in addition to the respective priorities of the Association Agenda, is the adherence to the principles of democracy, the rule of law, human rights and fundamental freedoms.

Functioning of democratic institutions

➤ **With the aim of strengthening local and regional self-government, and implementation of decentralization reform** the following acts were adopted:

- The Law of Ukraine «**On Principles of the State Regional Policy**» (№ 156-VIII), which determines the basic legal, economic, social, environmental, humanitarian and organizational principles of the State regional policy as an integral part of the national internal policy of Ukraine;
- The Law of Ukraine «**On Voluntary Amalgamation of Territorial Communities**» (№ 157-VIII), aimed at establishing viable and self-sufficient communities that would own material and financial resources, territory and objects of social infrastructure, necessary for the efficient execution of tasks and functions delegated to their local self-government authorities, improving the quality of administrative, social and public services to the residents of local communities.
- The Law of Ukraine «**On Amendments to Certain Legislative Acts of Ukraine Relating to Decentralization of Powers in the Field of Architectural-Construction Control and Improvement of City Planning Legislation**» (No.320-VIII), which provides for transfer of functions to execute state architectural-construction control from the Ministry of Regional Development, Construction and Municipal Economy to local self-government and local government executive authorities, as well as for simplification of some permit and authorization procedures in the sphere of construction.

➤ **To implement the National Strategy of Regional Development for 2015-2017 the Government has approved the action plan** on fulfilment of this National Strategy for the period until 2020 (approved by the Government resolution of 7 October № 821). The Action plan provides, in particular for the tasks aimed at:

- Improvement of the regional development planning mechanism (elaboration of action plans on fulfilment of regional development strategies for 2015-2017 and regional development investment programs (projects) based on these action plans are envisaged first of all);
- Ensuring stable and predictable financing of regional development. Provided tasks with the purpose of financing the regional development programs (projects) at the expense of:
 - The state Regional Development Fund,
 - The EU sector budget support;
 - Through the public-private partnership mechanism;
 - Implementation and financing of the tasks of the National Strategy of Regional Development when pursuing the state target, sector and budget programs;

- Improvement of the regional development monitoring and assessment. Among the tasks are - development of the order and method of calculating the index of regions' competitiveness and regional human development index and calculation of forecast values up to 2020 as well as bringing the regional statistics system of Ukraine in compliance with the EU standards;
- Institutional provision of regional development.

To implement the tasks of this chapter, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «Partnership for Local Economic Development and Democratic Governance» (Canada), project budget – about 19.5 mln CAD for the period: 27.03.2015 – 30.06.2021;
- «Support to Ukraine's Regional Development Policy» (EU), project budget – 5.3 mln EUR for the period: 22.01.2013–21.07.2016;
- «Unite for Reforms (Public Society Strengthening in Ukraine)» (USA), project budget – 18.6 mln USD for the period: 01.10.2008 – 30.09.2016;
- «Political Process Strengthening in Ukraine (Component II)» (USA), project budget – 6.7 mln USD for the period: 01.10.2009 – 01.04.2016;
- «Political Process Strengthening in Ukraine (Component III)» (USA), project budget – over 10 mln USD for the period: 01.10.2009 – 01.04.2016;
- «Strengthening Democratic Parties and Civil Society Organisations» (Canada), project budget – around 3 mln CAD for the period: 11.03.2015 – 31.08.2017.

Reform of law enforcement bodies

➤ In order to further **reform a system of internal affairs** amendments to certain legislative acts of Ukraine relating to reform of internal affairs bodies were introduced (by the Law of Ukraine № 193-VIII), aimed at **optimisation of the structure of the bodies of internal affairs, differentiation and eliminate duplication of their authority, deprivation of departments of internal affairs bodies from uncharacteristic functions.**

➤ **The Law of Ukraine «On the National Police»** (№ 580-VIII)¹⁹ provides for:

- Establishment of the National Police as a central government authority, which is coordinated by the Minister of Internal Affairs of Ukraine; liquidation of Directorates of internal affairs at oblast and rayon levels;
- Appointment of a Head of the National Police and heads of the police units on a contract basis for the term of 5 years;
- Establishment within the National police a Police commission, 3/5 members of which will be human rights activists and other civilians;
- Appointment to positions in the police through competitive selection, which will be carried out by Police commissions with using a polygraph;
- The right of local councils to dismiss by the majority vote any officer of the public security police (patrol, precinct) and traffic police.

¹⁹On November 7, 2015, the Law of Ukraine «On the National Police» came into force. On November 7, 2015, the Cabinet of Ministers of Ukraine appointed Khatia Dekanoidze the Head of the National police.

The Cabinet of Ministers of Ukraine has approved the National Police Regulations. The National Police main tasks are:

- Performing the public policy in the spheres of ensuring the protection of human rights and freedoms, interests of the society and the state, combating crime, maintain public safety and order;
- Submitting for the Interior Minister's consideration proposals on ensuring the public policy formation in the mentioned spheres;
- Providing to the extent permitted by law, services of assistance to those who for personal, economic and social reasons or because of emergencies requiring such assistance.

➤ The **Law of Ukraine «On the State Bureau of Investigation»²⁰** was adopted. The Law establishes the legal basis for the organization and activity of the State Bureau of Investigation as a government law enforcement agency, entrusted with the functions of preventing, detecting, stopping and solving crimes within its competence, namely:

- Detecting, solving and investigating crimes related to the activity of criminal organizations, terrorism, and particularly serious violent crimes;
- Preventing, solving and investigating crimes associated with torture and other brutal, inhuman or degrading kinds of treatment and punishment, committed by investigators (detectives) of the National Anti-corruption Bureau, Security Service of Ukraine, internal affairs bodies, as well as prosecutors;
- Solving and investigating corruption offences and corruption-related crimes, committed by officers of the National Anti-corruption Bureau of Ukraine and prosecutors of Specialized Anti-corruption Prosecutor's Office.

➤ On July 14, 2015, the Law of Ukraine «**On Provision of Services and Service Centres of the Ministry of Internal Affairs of Ukraine**» (reg. № 2567) was approved in the first reading. The draft law specifically determines deadlines for providing services by the centres, in particular:

- Issuing driver's licenses (including international) — five working days;
- Vehicle registration or removal a vehicle from registration — one working day;
- Issuing a registration certificate for the weapons of a standard form, or a document that certifies writing-off the weapons — one working day;
- Issuing a document about the absence (presence) of a criminal record or the restrictions stipulated by the criminal procedure legislation of Ukraine — five working days;
- Conducting by the specialist of the service centre a vehicle test/check - forty-five minutes.

➤ **The EU Advisory Mission for Civilian Security Sector Reform (EUAM)** continues its operations.

The Mission's activities focus on supporting the elaboration and implementation of the reform strategy for civilian security sector in Ukraine, primarily reform of internal affairs bodies (including police and the National guards) and system of justice, establishing coordination between law enforcement bodies, judicial system, security and border authorities, defence units. In addition, the EU mission monitors implementation of the decisions taken, and provide assistance in conducting training for the staff of the civilian security sector.

²⁰ 12 November 2015.

In August – October 2015 the Mission’s representatives visited twelve regions of Ukraine with the purpose of examining the organization, methods and resources of the local units of militia, state border service, public prosecutor's office, and judicial bodies to conduct detailed analysis of the regions’ needs in civil security.

The issue on renewing the EU Advisory Mission for Civilian Security Sector Reform of Ukraine mandate initiated by the EU Side in response to Ukraine’s request on more active attractiveness of the international community to the efforts towards regulation of the situation in Eastern Ukraine as a result of aggression of the Russian Federation is being studied. In view of the EU’s unavailability to join the peacekeeping activity through launching the crisis management operations in Ukraine, the EU Side has proposed to broaden the mandate of the acting since December 2014 Mission in Ukraine.

➤ Work on **signing between Ukraine and Europol the Operational Cooperation Agreement** is being continued that enables to exchange information about concrete investigations including exchange of personal data, in other words to reach a new level of interaction with the European Union states in combating international crime.

In September 2015 the Europol Joint Supervisory Body that is authorized to take decisions about the possibility to negotiate the Operational Cooperation Agreement with Ukraine, has adopted a positive decision on considering the Report on the personal data protection system in Ukraine (was prepared on the outcome of the experts’ visit to Ukraine in December 2014). This decision gives an opportunity to get the Europol Executive Body’s permission to launch officially negotiations on the Operational Cooperation Agreement.

➤ On 13 July 2015, the **Memorandum on mutual understanding between Ukraine and the European Police Office on the secure line of communication establishment** entered into force (ratified by the Verkhovna Rada of Ukraine on 4 June 2015).

Entering into force of this Memorandum is a precondition for concluding the Operational Cooperation Agreement with Europol.

➤ **The Law of Ukraine «On Probation»** (№ 160-VIII) provides **for establishment in Ukraine the system of probation as a system of supervisory and socio-educational measures**, applied by court decisions and in accordance with the law to persons who are supposed to be brought or were brought to criminal responsibility; introduction of certain types of criminal punishment other than imprisonment, and provision the court with information characterizing the accused person.

➤ The draft Law of Ukraine on amending the legislation concerning the enforcement of criminal penalties and the rights of prisoners (reg. № 2490a) was elaborated. The draft Law aimed at:

- Regulation of certain issues of the execution process and serving sentences other than imprisonment;
- Defining the order and conditions of serving punishment by way of restraint and imprisonment;
- Providing conditions for a real opportunity of convicts to exercise the granted to them rights;
- Establishing criminal liability for evasion from serving certain sentences and further humanization of penal legislation.

To implement the tasks of this chapter, the Ukrainian side has attracted expert and financial assistance in the framework of the Project «Support to Justice Sector Reforms in Ukraine» (EU), project budget – about 8.6 mln EUR for the period: 07.10.2013–06.12.2016.

Reform of patrol service

➤ **Reform of traffic patrol service** of State automobile inspection and patrol service is ongoing.

New patrol service is already operational in Kyiv, Odessa, L'viv and Kharkiv. Selection of candidates continues in Lutsk, Uzhgorod, Mukacheve, Ivano-Frankivsk, Khmelnytsky, Mykolaiv, Dnipropetrovsk, Ternopil, Zaporizhzhya, Rivne, Boryspil, Chernivtsi, Zhytomyr, Poltava, Slovyansk and Kramatorsk. New patrol officers will have started to work in more than 20 cities and on motorways by the end of the year.

In addition, in 2015 an experiment with the introduction of new forms and methods of work in Sambir town department of the Interior Ministry of Ukraine in L'viv region was implemented.

Human rights and fundamental freedoms

The National Human Rights Strategy was endorsed (by the Decree of the President of Ukraine № 501 dated August 25, 2015), which was elaborated with assistance of the UN and Council of Europe experts, and accounts for basic elements of the EU strategy on human rights and democracy adopted in June 2012. The strategy also reflects the human rights problems that have been identified by the UN human rights mechanisms while studying the laws of Ukraine.

The strategy aims to address major systemic problems in the protection of human rights and freedoms, as well as the new challenges the faced by the society through armed conflict, which began after the events of the Revolution of Dignity.

The Strategy presents 24 strategic areas, covering basic rights and freedoms.

➤ On 17 September 2015, the Ministry of Justice **set up a working group on development of an action plan on implementation of the National Strategy for Human Rights**, composed of representatives of the concerned state bodies, civil society, international organizations (UN, OSCE, EU, CoE), leading international experts in human rights, MPs and judges.

The Working Group thematic subgroups on «Personal (civil) Rights», «Political Rights», «Social, Economic and Other Rights», «Prevention and Combating Discrimination, Gender Equality», «New Challenges», worked out a draft action plan which was disseminated between the concerned government authorities for approval at the end of October.

In addition, a round table «National Strategy for Human Rights and the National Action Plan for Ukraine» was held on 21 September 2015, over which the National Strategy for Human Rights and a common vision and measures on the development of a draft action plan on implementation of the National Strategy for Human Rights were presented.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the project «Increasing the level of institutionalisation in public administration system» (Turkish Republic), project budget – about 132 thousand USD for the period: 30.10.2014 – 16.11.2015.

Establishing gender approaches

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the project «Strengthening integrated gender approach in the context of the conflict in Ukraine» (OSCE), project budget – about 74 thousand US dollars for the period 13.03.2015 – 31.12.2015.

Freedom of expression

➤ Work on a new version of the Law of Ukraine «On Television and Radio» with the assistance of the Council of Europe and the European Union joint project «Promotion of European Standards in the Ukrainian Media Environment» is ongoing.

➤ In the process of creation of the Public Television and Radio Broadcasting (according to the Law of Ukraine «On Public Television and Radio Broadcasting of Ukraine») the Cabinet of Ministers of Ukraine adopted Resolution № 567 **"Some issues of formation of JSC «National Public Broadcasting Company of Ukraine»** on 5 August 2015.

It is foreseen to transfer the National TV Company under the management of the State Committee on TV and Radio, establish a commission on reorganization of entities defined in Article 1 of the Law of Ukraine «On Public Television and Radio Broadcasting of Ukraine» and create JSC «National Public Broadcasting Company of Ukraine».

➤ In order to create the conditions necessary for journalists to work freely, to protect them from threats or actual violence, and given the new threats and challenges faced by the journalist community arising out of aggression of the Russian Federation and terrorist activities of pro-Russian militants in Eastern Ukraine, some legislative acts of Ukraine on strengthening guarantees of legal journalistic activities were amended (the Law of Ukraine № 421-VIII).

In particular, this Law supplements the Criminal Code of Ukraine with new articles (Articles 345-1, 347-1, 348-1, 349-1), which envisage responsibility for:

- Threat or violence against journalists;
- To deliberate destruction or damage of property of a journalist;
- Infringement on life of a journalist;
- Taking a journalist hostage.

➤ To ensure transparency of ownership of media, the legislation of Ukraine, which requires entities to disclose information of the actual structure of ownership and provide information on the final beneficial owner (controller) of companies, was amended (the Law of Ukraine № 674-VIII).

➤ To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «Strengthening of information society» (EU), project budget – 2.7 mln EUR for the period: 21.01.2014–20.12.2015;
- «Facilitating journalist investigations» (Canada), project budget – about 3 mln CAD for the period: 01.04.2014–30.06.2017;
- «Developing a unified network of television and radio (Hromadske Network)» (EU), project budget – 815.5 thousand EUR for the period: 19.12.2014–18.12.2016.

Foreign and security policy

➤ Ukraine continues to practice **adherence to the statements and addresses of the EU** on international issues, including in the framework of international organizations (the UN and its organs and agencies, OSCE, MAGATE, etc.). As of October 28, 2015, Ukraine adhered to 4412 statements out of 5330.

➤ In the framework of cooperation in the field of security and defence, consultations with the EU side continue regarding the preparation for negotiations and signing of the **Administrative agreement between the Ministry of Defence of Ukraine and the European Defence Agency**.

The Administrative agreement should be a practical tool for deepening military and technical cooperation between Ukraine and the EU, in particular between military-industrial complex enterprises of Ukraine and Agency Member States.

Discussion on the Administrative agreement was completed during the last round of consultations, which took place on September 8, 2015.

➤ On February 4, 2015 **the Agreement between the Cabinet of Ministers of Ukraine, the Government of the Lithuanian Republic and the Government of the Republic of Poland on the establishment of a joint military unit was ratified** by the Verkhovna Rada of Ukraine²¹.

Implementation of the Agreement will promote active participation of Ukraine in the regional initiatives, aimed at strengthening peace and stability. Main objective of the Unit is to participate in the international efforts on peace guarantee, to deepen regional military cooperation and to establish the basis for creation of EU the combat team out of the Unit.

The Ministry of Defence of Ukraine, the Ministry of National Republic of Lithuania and the Ministry of National Defence of the Republic of Poland have **signed Technical Agreement on detailed aspects of the joint military unit and its command** on July 24, 2015.

The first meeting of the Coordination Group for the joint management of the military unit and its command was held on September 9, 2015.

The Parties agreed the list of measures for 2015 - 2016 on joint military unit functioning for practical implementation of the technical agreement between the defence agencies of three countries.

Combating terrorism

➤ **Ukraine signed Additional Protocol to the Convention on the Prevention of Terrorism** on October 28, 2015.

The document introduces criminal liability for a number of offenses, including deliberate participation in a terrorist group, participation in the course for preparation to terrorist acts commitment, fact of travelling abroad with a terrorist purpose, financing or organizing such trips.

The Protocol also creates a network of national contact points available around the clock for the rapid exchange of information.

Ukraine has become the eighteenth Member State of the Council of Europe, which has signed this international instrument.

²¹The Agreement was signed on 19 September 2014.

Ratification of the Rome Statute of the International Criminal Court (ICC)

➤ On 16 January 2015 the draft Law of Ukraine «**On Amendments to Article 124 of the Constitution of Ukraine (relating to acceptance of the ICC jurisdiction under the Rome Statute)**» was registered in the Verkhovna Rada (reg. № 1788).

The Constitutional Commission (Decree of the President of Ukraine № 119 dated 3 March 2015) is discussing the issue of ratification of the Rome Statute. Three working groups were set up to elaborate amendments to the Constitution of Ukraine, one of which will work out amendments in the part that regulates reform of justice, including the acceptance of the Rome Statute of the International Criminal Court.

Liberalisation of visa regime

➤ **In March 2015, the EU expert missions were held** to assess implementation of the Action plan on EU Visa Regime Liberalization for Ukraine.

Based on results of missions' findings, EU experts stated significant progress in the fulfilment of the relevant Action plan benchmarks by Ukraine, although noted that a number of issues still needs to be resolved.

➤ On 20 September 17, 2015, **the report on implementation by Ukraine benchmarks of the second phase of the Action Plan on EU Visa Regime Liberalization was submitted to the European Commission.**

The transfer of this report enabled the launch of preparations for the next round of the EU expert missions on assessment of Ukraine's progress in fulfilment of the second stage Action plan criteria and the Fifth EC report recommendations, published on 8 May 2015.

➤ **In order to assess progress in implementation of the Action plan on EU Visa Regime Liberalization by Ukraine, in autumn 2015** the following **EU expert missions took place:**

- On border management (31 August – 4 September);
- On fighting corruption (1-4 September);
- On document security (2-4 September);
- On issues of law enforcement cooperation, fighting organized crime and illegal drugs (7-11 September);
- On migration and asylum policy (21-25 September);
- On trafficking in human beings (21-25 September);
- On counteracting discrimination (21-25 September);
- On issues of money laundering and financing of terrorism (28 September – 2 October).

Based on results of expert missions' findings on all blocks of the Action plan, the European Commission will submit to the EU Member States the Sixth report on the fulfilment of the Action plan criteria/benchmarks by Ukraine.

➤ Within the activity on the **introduction of contactless electronic device documents** during the report period the State Migration Service of Ukraine provided:

- From 12 January 2015 – the issue in Ukraine of the Ukrainian citizens' international passports with contactless electronic device;
- From 21 May 2015 – the issue in Ukraine of diplomatic and service passports of Ukraine with contactless electronic device;
- From 3 June 2015 – the issue of the Ukrainian citizens' international passports by foreign diplomatic institutions.

As of 30 September 2015, 1536372 Ukrainian citizens' international passports have been issued, including 649262 - with contactless electronic device as well as the issue of the Ukrainian citizens' international passports by foreign diplomatic institutions and the issue in Ukraine of diplomatic and service passports of Ukraine with contactless electronic device.

➤ With the EU financial assistance (35.7 mln UAH in the framework of the Agreement on financing the programme «Support to sector border management policy in Ukraine») and the funds allocated by the Government of Ukraine (150 mln UAH), **610 terminals for biometric identification were purchased and software for terminals issuing biometric passports developed.**

Within the framework of the information-communication infrastructure establishment of the Single information-analytical system of migration management:

- Relevant components of this System for 204 territorial units of the State Migration Service of Ukraine were established;
- Data Centre System which provides functioning of the «Registration of documents confirming the citizenship of Ukraine» and «Register of foreigners and refugees» subsystems was launched. Work on foreigners' personal data integration to the «Register of foreigners and refugees» subsystem database was completed. The territorial units of the State Migration Service of Ukraine were granted an access to the «Register of foreigners and refugees» subsystem in printing temporary residence and permanent residence certificates;
- Algorithimization was performed and software for transferring 9.5 mln records of the personal data of the State information system of individuals register and their documentation to the Single state demographic register was created;
- Program module «Invalid documents» was introduced. Access for the territorial units of the State Migration Service of Ukraine on logging data on lost, stolen, seized, returned to the State, declared invalid and destroyed documents was launched.

Legal Cooperation

➤ On February 16, 2015, the final round of consultations regarding the draft **Agreement on legal cooperation between Ukraine and the European Union's Judicial Cooperation Unit (Eurojust).**

A technical review of the Agreement was conducted and it was agreed by the Parties to start the necessary procedures to prepare for the signing of the agreement.

Agreement with Eurojust would create the legal basis for the use by our state of the organization's capabilities for rapid exchange of information, coordination in combating cross-border crime, facilitation of collection of evidence, legal assistance and extradition.

Cooperation on border management, migration and asylum

Cooperation on border management

➤ **The action plan on joint operational organization of the state border protection with the EU member states - Poland, the Slovak Republic, Romania and Hungary and the Republic of Moldova** (decree of the Cabinet of Ministers of Ukraine dated July 8, 2015 № 695) is implemented.

The Action Plan provides for the transition to the operational mode of the state border protection together with the EU Member States to further redistribute forces and means of the

State Border Service to enhance the protection of Ukrainian-Russian border.

The document envisages work on joint border control at border crossing points, joint border patrols, improvement of operational information exchange and risk analysis at the border with the EU member states and the Republic of Moldova.

➤ **Direct access from the server of Ukrainian State Border Service Administration through the Bureau of the Interior Ministry to Interpol databases in Lyon** was received.

39 crossing points were connected to INTERPOL databases.

➤ Joint decree of the Ministry of Interior, Ministry of Infrastructure, Ministry of Foreign Affairs, Ministry of Finance, and Security Service of Ukraine **approved the procedure of data exchange between the integrated border management subjects**. Priority areas of data exchange were defined the following:

- Development of new approaches to integrated border management;
- Improvement of cooperation mechanisms between the entities;
- Exchange of open statistical and analytical information;
- Joint analytical studies.

➤ **Development Strategy of the State Border Service of Ukraine was drafted.**

The Strategy defines the strategic goals of the State Border Service, the basic principles and objectives of the timing of their achievements and performance indicators in close (until 2017) and medium term (until 2020).

Advisors of EUAM Advisory mission and experts of EUBAM to Ukraine and Moldova are involved to discuss strategic directions of the State Border Service

➤ **The Concept of the State targeted law enforcement program «Organisation and Reconstruction of the state border»** until 2020 was drafted.

The Concept among the main tasks of the State Targeted Program identified:

- Completion of contractual and legal arrangement of the state border;
- Improvement of joint patrolling of the state border with EU member states, Moldova and coordinated patrolling of the state border with the Republic of Belarus;
- Development and improvement of the network of checkpoints across the state border, creation of modern infrastructure appropriate equipment;
- Creation of integrated information system of coverage of surface and underwater situation in the Black and Azov seas, and the Dnieper and the Danube river basins for early detection and taking appropriate management decisions;
- Technical re-equipment with modern models of arms and military equipment, control and surveillance equipment of integrated border management subjects, the introduction of new and modernization of existing information and telecommunication systems.

➤ **The Second Protocol between the Government of Ukraine and the Government of the Republic of Poland amending the Agreement between the Government of Ukraine and the Government of the Republic of Poland on local border traffic, signed on 28 March 2008, came into effect** on 20 September 2015.

The provisions of the Second Protocol provided significant improvements in order, in particular, to increase the period of stay of citizens of Ukraine - the inhabitants of border areas in the

territory of fifty-kilometer border zone of Poland. Thus, the citizens of Ukraine will receive permits for simplified border crossing with the right to stay in the border area of Poland to ninety (90) days every time from the date of entry.

In addition, the fee for receipt and consideration of the first application for such a permit will be 20 EUR, while the following permits will be issued free of charge. Also exempt from payment for permits are disabled persons, pensioners and children under 18 years.

The provisions of the Second Protocol contain four additional settlements of Ukraine, the inhabitants of which are covered by the Agreement from 2008 (Hevyn, Orani and Rusniv of Volynsky region, Tysovets of Lviv region).

➤ Negotiations on the Agreement between the Government of Ukraine and the Government of Romania on joint patrols at Ukrainian-Romanian border are at the final stage.

➤ In September 2015, the Administration of State Border Service received from the Slovak Side a draft **Agreement between the Government of Ukraine and the Government of Slovakia on the introduction of joint control** that meets the requirements of the Schengen Border Code and received the support of the EC. Preparation of Ukrainian position on the draft Agreement is underway. Materials will be Slovak Party in November 2015.

To implement the tasks of this chapter, the Ukrainian side has attracted expert and financial assistance in the framework of the project «The development of modern infrastructure of the Border Service units» (EU), project budget – about 8 mln EUR for the period: 01.09.2012 – 31.12.2015.

On the Ukrainian-Belarusian State border

In the framework of implementing the Demarcation plan of the Ukrainian-Belarusian State border as of November 1, 2015, 404 km of boundary lines were demarcated, and 977 locations for setting border marks were defined.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the following projects:

«Creation of an Electronic System of Pre-arrival Information Exchange between the Customs Authorities of the Republic of Belarus and Ukraine (PRINEX)» (EU), project budget – 3.7 mln EUR;

«Strengthening surveillance capacity on the green and blue border between Belarus and Ukraine» (SURCAP) (EU), project budget – 2.5 mln EUR for the period: 23.03.2014 - 22.09.2016.

On the Ukrainian-Moldovan State border

As of November 1, 2015, 1222 km (100%), including 452 km on central (Transnistrian) segment, of boundary lines of the Ukrainian-Moldovan state border were demarcated. 4198 border marks were set up by the Ukrainian side.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance in the framework of the project «Enhancing chemical, biological, nuclear and radiological detection capacity» (EU), project budget – 4.1 mln EUR for the period: 01.10.2014 –01.10.2015.

Cooperation on migration and asylum

➤ In order to improve legislation in the sphere of international protection on the basis of recommendations of the fifth EC report on Ukraine's progress in implementing the Action Plan for liberalization of EU visa regime for Ukraine the Cabinet of Ministers of Ukraine submitted to the Verkhovna Rada of Ukraine the following draft Laws of Ukraine:

- «On amendments to the Law of Ukraine «On refugees and persons in need of additional or temporary protection» for improving the procedure of documenting persons (reg. № 3155), aimed at ensuring the rights of persons recognized as refugees in Ukraine (for documentation with the correct constituent data);
- «On amendments to certain legislative acts of Ukraine on improving the provisions of the judicial protection of foreigners and stateless persons and settlement of certain issues related to countering illegal migration» (reg. № 3159), aimed at improving the proceedings of the detention of foreign nationals and stateless persons to be forcibly expelled, including the immediate establishment of cases and enforcement of compulsory detention for deportation of foreigners or stateless persons;
- «On amendments to the Code of Administrative Procedure of Ukraine (concerning immediate consideration by the courts of claims of forced expulsion or for detention in order to identify and provide forced expulsion of foreigners and stateless persons or ensure the transfer of foreigners and stateless persons in accordance with international agreements on readmission)» (reg. № 3154), aimed at shortening the administrative proceedings on the forced expulsion of five days for immediate consideration.

On November 5, 2015, Verkhovna Rada of Ukraine adopted the draft Laws of Ukraine reg. №№ 3155, 3159, and 3154 in the first reading.

➤ The State Migration Service (SMS) of Ukraine prepared the draft Regulation on the centres of social integration of refugees and persons in need of subsidiary or temporary protection. Such centres are planned to be launched by the end of 2015 in Kyiv, Kharkiv, Vinnytsya (or Odessa).

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance in the framework of the project «Strengthening migration management and cooperation on readmission in Eastern Europe (MIGRECO)» (EU), project budget – 2.4 mln EUR for the period: 01.02.2013–31.01.2015.

Cooperation on readmission

➤ During 9 months of 2015, the State Migration Service (SMS) of Ukraine received 334 requests for readmission. On 258 requests readmission of 256 citizens of Ukraine and 2 foreigners who had residence permission in Ukraine was agreed. 76 requests concerning 76 persons were denied. 60 citizens of Ukraine and one foreigner were returned in readmission order.

In the sphere of readmission constant interaction of SMS of Ukraine with the EU and other international partners takes place under the project «Pilot Initiative to Monitor Readmission in Ukraine and Pakistan (MONITOR)» funded by the EU and implemented jointly by the International Organization for Migration and the Office of United Nations High Commissioner for Refugees.

Cooperation on fight against trafficking of Drugs, Psychotropic Substances and Precursors

➤ In February 2015, **Ukrainian Medical and Monitoring Centre on Drugs and Alcohol of the Ministry of Health of Ukraine** resumed its work. The Centre serves as a contact point under the Memorandum of Understanding between the Ministry of Health of Ukraine and the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). The Charter and a new structure of the Centre were approved.

Ukrainian Medical and Monitoring Centre on Drugs and Alcohol prepared an annual report on narcotic situation in Ukraine (as of 2013), which was submitted to the EMCDDA.

➤ To improve the interaction of state bodies, enterprises, institutions and organizations in fighting against drug abuse, illicit trafficking of drugs and precursors, as well as implementing preventive measures, the **Action plan for 2015 on the implementation of the Strategy of anti-drug policy until 2020** was approved (resolution of the Cabinet of Ministers of Ukraine of March 25, 2015 № 514).

The aim of the Strategy is to provide a solution to the drugs problem in society for the benefit of a man, reliable protection of public health and national security from the threat of drug abuse and drug crimes.

Cooperation in law enforcement, combating organized crime and money laundering

Law enforcement and combating organized crime

➤ During 2015 Ukrainian experts **participated in practical international operations, aimed on combating organized crime**, in particular:

- The final stage of international investigation «Mozart» (documenting of illegal activities of transnational criminal groups involved in kidnapping of funds from bank accounts and their further legalization);
- Operation «Black Poseidon» (protection of intellectual property and combating illegal circulation of excisable goods);
- Operation «Pangea VIII» (adulteration of drugs and trafficking in adulterate drugs).

➤ Within the framework of **cooperation with border services of the Member States, which have a common border with Ukraine, was:**

- Conducted a joint analysis of threats to the border security (with the Slovak Republic, the Republic of Moldova, Belarus, Poland, Hungary);
- Renewed the cooperation (after nearly three year of absence) with the Federal Police of Germany;
- With the support of IOM (International Organization for Migration) initiated the launching of a new format of cooperation – carrying out of trilateral joint analysis of threats on the borders of Ukraine, Belarus and Poland.

➤ On October 15, 2015 signed the **Agreement on Cooperation between the Prosecutor General's Office of Ukraine and the Federal Prosecutor of Belgium in the fight against cybercrime, organized crime, corruption and terrorism.**

The Agreement notably envisages that the parties will take measures with an aim to facilitate the efficient and timely execution of requests for legal assistance in criminal cases, exchange of information and documents related with cybercrimes, organized crime, corruption and terrorism and involved persons.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «Enhancement of Prosecution of IT-facilitated Human Trafficking Crimes in Ukraine» (OSCE), project budget – 679 thousand EUR for the period: 01.04.2014 – 30.06.2019;
- «Cooperation in the fight against terrorism, organized crime and other threats to national security» (OSCE), project budget – 39.7 thousand EUR for the period: 01.09.2015 – 31.12.2015.

Combating money laundering

➤ On 11 March, 2015 the Cabinet of Ministers of Ukraine and the National Bank of Ukraine endorsed **the Action plan for 2015 on preventing and counteracting legalization (money laundering) of incomes** obtained in a criminal manner, financing terrorism and proliferation of weapons of mass destruction (Resolution of the Cabinet of Ministers of Ukraine № 99).

➤ Special Committee of Council of Europe on The Evaluation of Anti-money Laundering and Terrorism Financing (MONEYVAL) **approved the Report of Ukraine in the sphere of anti-money laundering and terrorism financing.**

During the Plenary Meeting MONEYVAL (14-18 September 2015), Ukrainian delegation presented the third progress report concerning counteraction to money laundering and terrorist financing in Ukraine.

Following the discussion of Ukraine's progress report, MONEYVAL Committee adopted the information provided by Ukraine and praised the measures taken by the Cabinet of Ministers of Ukraine in this area and approved The Report of results.

To implement the tasks of this Association Agenda priority, the Ukrainian side has attracted expert and financial assistance in the framework of the project «National risk assessment of anti-money laundering and terrorist financing in Ukraine» (EC), project budget – 267.8 thousand EUR for the period: 07.04.2015 – 15.05.2017.

Situation in Eastern Ukraine and Crimea

On the Ukrainian-Russian State border

➤ **Checkpoints across the state border and a control point were temporarily closed in Luhansk and Donetsk oblasts** (Resolution of the Cabinet of Ministers of Ukraine № 50 dated 21 January 2015). Starting from March 1, 2015, certain provisions of the Agreement between the Government of Ukraine and the Government of the Russian Federation on visa-free trips of citizens of Ukraine and the Russian Federation were suspended.

➤ **The citizens of the Russian Federation may enter, go by transit, stay and travel through the territory of Ukraine only with international passports** (Resolution of the Cabinet of Ministers of Ukraine № 23 dated 30 January 2015).

➤ **Temporary restrictions for crossing the State border of Ukraine by the residents of border regions** were introduced (Resolution of the Cabinet of Ministers of Ukraine № 86 dated March 4, 2015). Thus, from March 16, 2015, the residents of the border regions of the Russian Federation may enter Ukraine exclusively through international and inter-state checkpoints and stay on its territory for a period up to 90 days within 180 days based on the documents valid for going abroad.

➤ The Decision to mark **the Ukrainian-Russian state border on the ground on a unilateral basis** was taken (Resolution of Cabinet of Ministers of Ukraine № 443 dated 14 May 2015).

➤ **An Action Plan for engineering and technical work on the Ukrainian-Russian state border, as well as areas that are adjacent to the zone of the anti-terrorist operation implementation and the Russian-occupied Ukrainian territory of Crimea** has been implementing (Resolution of Cabinet of Ministers of Ukraine, May 14, 2015, № 439). The Plan is designed for 2015-2018 years and provides:

- Digging anti-vehicular ditches;
- Arrangement non-explosive artificial obstacle;
- Fortification of control points and positions;
- Equipment of drag road;
- Laying frontage highway.

The plan provides for the purchase and installation of metal observation towers 17 meters high, the installation of video surveillance systems, surveillance and communications towers, installation of remote combat units, equipment-monitoring centres.

The estimated cost of the work is over 4 billion UAH.

➤ In order to counter terrorism and strengthen controls over the movement of persons, vehicles and goods (goods) in the uncontrolled territories, June 12, 2015 the Security Service of Ukraine introduced a **Temporary procedure for monitoring of the movement of persons, vehicles and goods along the contact line within Donetsk and Lugansk regions**.

Ensuring rights and freedoms of internally displaced persons

➤ The Law of Ukraine «On Amendments to Certain Laws of Ukraine Relating to Enhancing Social Protection of Internally Displaced Persons» (№ 245-VIII) was adopted on March 5, 2015, which is aimed at regulating the issue of **enhancing social protection of the internally displaced persons, who are unemployed**, averting restriction of their rights, and expanding the opportunities for the unemployed to be engaged in public works.

➤ In order to implement legislation to ensure the rights and freedoms of internally displaced persons, including strengthening social protection of such persons:

- **Simplified procedure of acquiring the status of registered unemployed persons among forced displaced persons**, including members of private farms, their registration and re-registration and acquiring social services at employment centres (Resolution of the Cabinet of Ministers of Ukraine of July 8, 2015 № 473);

- **The main directions of solving the employment problems of internally displaced persons in the years 2015-2016** were approved (Resolution of Cabinet of Ministers of Ukraine of July 8, 2015 № 505). The document is a comprehensive action plan for employment and vocational training (training, retraining or advanced training) internally displaced;
- The Resolution of the Cabinet of Ministers of Ukraine provides for²²:
 - **the employment of the registered unemployed persons among internally displaced persons an employer receives compensation** for the cost of labour for up to 12 months and for retraining and advanced training of such;
 - **compensation for expenses of registered unemployed** among internally displaced persons to undergo preliminary medical and drug-abuse examination if it is necessary for employment and for the unemployed person to move to another administrative-territorial unit for employment.

For the period from 1 March 2014 to 25 September 2015 state employment services were enjoyed by 57.8 thousand of residents of temporarily occupied Crimea, m. Sevastopol, Donetsk and Luhansk regions, who from the territory of ATO moved to other regions of Ukraine.

Out of them status of unemployed person had 42.1 thousand people, 2.9 thousand people were on training, 6.1 thousand people took part in public works and other works of a temporary nature, 34.1 thousand people received unemployment benefit.

15 thousand of citizens were employed, including by employment centres – 13.2 thousand.

To implement the tasks of this chapter, the Ukrainian side has attracted expert and financial assistance of the following projects:

- «Assistance to the population affected by the conflict in Ukraine» (USA), project budget – 2.5 mln USD for the period: 15.03.2015 – 15.10.2015;
- «Support for Ukraine's emergency management» (Germany), project budget – 13 mln EUR for the period: 01.03.2015 – 28.02.2018;
- «Restoration of social services and establishing peace in the Donetsk and Luhansk regions» (UNDP), project budget – 5.1 mln USD for the period: 13.11.2014-31.12.2015;
- «Economic and social rehabilitation of Donbas» (UNDP), project budget – 5 mln USD for the period: 30.04.2015-29.02.2016.

²² № 696 of September 8, 2015.

V. TRADE AND TRADE-RELATED MATTERS

The provisional application of Title IV of the Agreement «Trade and Trade-related Matters» will start from January 1, 2016.

In 2014-2015, the Government worked on preparation of establishing conditions necessary for the functioning of a Deep and Comprehensive Free Trade Area (DCFTA) between Ukraine and the EU, and took measures aimed at performing obligations under the relevant chapter of the Agreement for the purpose of the most optimal implementation of the DCFTA provisions.

Market access for goods

➤ **Ukrainian customs offices are ready to issue EUR.1 certificates** for goods of the Ukrainian origin to be exported to the European Union member-states in the framework of the Agreement.

Once DCFTA is applied, the Ukrainian customs offices will issue certificates for the transportation of goods EUR.1, confirming the Ukrainian origin of goods, which grant them the status of products of preferential origin, and thus allowing after exporting the goods on the territory of the EU to use the trade preferential terms in accordance with the provisions of the Agreement.

The Procedure of issuing certificates EUR.1²³ is similar to that used in European countries and provides for maximum simplification of issuing certificates at no cost in the shortest terms, and, at the same time, for increasing the responsibility of an exporter for the accuracy of submitted information, which is necessary for determining the Ukrainian origin of goods.

The certificate is filled in and issued by the customs authorities of Ukraine for each shipment of goods in cases, when it is required to provide evidence that the goods meet the rules of determining their preferential origin, established in the Agreement, to apply the preferential import duty rates. A customs officer issues certificates during the export procedure or after it in cases, stipulated by the Agreement.

➤ **The Regulation on granting and revocation the status of an authorized (approved) exporter²⁴** provides for a mechanism, according to which Ukrainian exporters, who often transport goods prepare invoice declarations themselves irrespective of the invoiced value of goods, which speed up export procedures.

Invoice declarations confirming the Ukrainian origin of goods grant them the status of products of preferential origin, thus allowing after exporting the goods on the territory of the EU to use the trade preferential terms in accordance with the provisions of the Agreement.

An authorized exporter is an exporting company – a legal entity, registered in Ukraine (except a customs broker), that regularly transports goods under the terms of contracts and has the right to prepare declarations irrespective of the invoiced value of goods. The regulation also determines criteria for granting the status of an authorized (approved) exporter.

The status of an authorized (approved) exporter is granted by customs offices within 30 calendar days from the date of receiving the application and documents, specified in the Regulation.

²³ The Procedure was approved by the order of the Ministry of Finance № 1142 dated 18 November 2014.

²⁴ The Regulation was approved by the order of the Ministry of Finance № 1013 dated 7 October 2014.

The exporter is assigned a personal number for a simplified customs control procedure regarding Ukrainian goods of preferential origin.

With the purpose of regulating the issue of using specific safeguard measures on access to Ukrainian market for particularly sensitive products and goods, which will be applied under the Agreement, a number of relevant mechanisms have been developed:

- For the application and administration of tariff quotas for imports to Ukraine of certain types of agricultural products, originating from the EU Member States, **the Procedure for control over the use of tariff quotas**²⁵ was approved (*will be enacted from the date of provisional application of Title IV of the Agreement*).

In accordance with Annex I-A of the Agreement, Ukraine introduces tariff quotas for imports into Ukraine sugar, pork and poultry meat from the EU Member States. The approved Procedure provides for distribution of the quotas by using a computer programme-informational toolset, which is part of a Single centralized computer information system of the State Fiscal Service agencies, based on submission of the customs declaration by importers. Information on the total volume and remaining unused tariff quotas will be updated daily on the official web-portal in the Internet.

Currently, the work is going on developing the proper software and creating a separate webpage on the official web-portal of Ukrainian customs authorities, where the information on unused volume of tariff quotas will be posted.

Thus, this issue focuses on proper organization by State Fiscal Service of Ukraine of the process of issuing these certificates to ensure uninterrupted exports after the start of provisional application of the DCFTA.

- To implement provisions of the Agreement in the part of **safeguard measures on imports to Ukraine of worn clothing and other second hand items**, originating from the EU Member States (classified according to the Ukrainian customs code 6309 00 00), the State Fiscal Service has developed a relevant mechanism (terms of reference) for application of specific safeguard measures on the basis of a defined entry price. This mechanism will be integrated into centralized computer information system of the State Fiscal Service and will become operational from the date of provisional application of Title IV of the Agreement.

This will allow introducing in Ukraine the mechanism for gradual annual reduction of import duty rates on worn clothing during 5 years from the date of entry into force of the Agreement, applying a system of entry prices.

The base for calculating the entry prices will be average prices for new clothing over the previous two years, according to the list defined in Annex 1-B of the Agreement. The entry price will be defined as 30% of the average customs value of respective clothing for the previous year. If the value of imported worn clothing is lower than the entry price, the basic import duty rate, valid on the date of entry into force of the Agreement, will be applied. This mechanism will also be implemented electronically without human intervention, and information on entry prices for worn clothing will be published on the official web site of the State Fiscal Service.

²⁵ The Procedure was approved by the order of the Ministry of Finance No. 1203 of 11 December 2014.

- The State Fiscal Service has developed a mechanism (terms of reference) for applying by customs offices **specific safeguard measures, stipulated by the Agreement, with respect to certain types of goods subject to export duties.**
- This mechanism will be integrated into centralized computer information systems of the State Fiscal Service and will become operational from the date of provisional application of Title IV of the Agreement. This will allow Ukraine to apply, during 15 years from the date of entry into force of the Agreement, special measures in the form of an additional fee to export duties (if the total volume of exports from Ukraine to the EU on each specific Ukrainian customs code exceeds the volume limit) with a gradual reduction of the additional fee to «0» rate on: *raw leather materials, sunflower seeds, scrap alloyed ferrous metals, scrap non-ferrous metals and their semi-finished products, stainless steel, and copper* on conditions according to the Schedule specified in Annex I-D to the Agreement. In addition, this mechanism (ToR) provides for gradual cancellation of export duties rates for certain goods, which will also be integrated into centralized computer information system of the State Fiscal Service and will become operational from the date of provisional application of Title IV of the Agreement. The export duties rates will be gradually cancelled on *live cattle and leather raw materials, some kinds of oilseeds, scrap alloyed ferrous metals, scrap non-ferrous metals and their semi-finished products, waste and scrap ferrous metals* during 10 years according to the Schedule determined in Annex I-C of the Agreement.
- **Ukraine cancelled specific safeguard measures on import into Ukraine of passenger cars, regardless of their country of origin and export.** Those measures were introduced in 2013 for a period of three years.

The relevant decision, approved on September 10, 2015 by the Inter-agency Commission on international trade, came into force on September 30, 2015.

➤ Soon the Cabinet of Ministers of Ukraine will consider the **draft Law of Ukraine «On Recognition as Invalid the Law of Ukraine «On Measures to Stabilize the Balance of Payments of Ukraine in Accordance with Article XII of the General Agreement on Tariffs and Trade 1994».**

Adoption of the draft Law, which provides for **abolition from January 1, 2016, temporarily introduced surplus import duty**, is the criterion for implementation of the recommendations of the IMF and the EU.

➤ Consultations on the preparation of a **Memorandum of Understanding concerning the exchange of information for the purposes of making Export Helpdesk operational in Ukraine** continue.

The launch of this EU online information portal should become an effective tool to help Ukrainian exporters to benefit from the free trade zone Ukraine-EU.

Technical barriers to trade

The main objectives of reforming technical regulation system in Ukraine is to bring the national legislation into conformity with the EU law and its provisions, conduct necessary administrative and institutional reforms in accordance with the applicable, and those that are planned to be signed, Agreements with the EU and its institutions, and introduce efficient and transparent administrative system in the field of technical regulation.

In order to bring national legislation in the field of technical regulations into conformity with the EU legal requirement, the following measures were taken.

Technical regulation

➤ **The Law of Ukraine «On Technical Regulations and Conformity Assessment»** (№ 124-VIII) was adopted, which establishes:

- Common legal and organizational principles for the development, adoption and application of technical regulations and conformity assessment procedures;
- Performance of conformity assessment in line with European requirements and provisions of the WTO Agreement on technical barriers to trade;
- Cancellation of the centralized registration of certificates of conformity in the State certification system.

The law opens for national producers the possibility to conduct tests in Ukraine and get certificates that will be recognized by the EU. This will allow reducing the costs for business to obtain the relevant documentation, and to go through procedures of certification and conformity assessment. The Law enters into force on February 10, 2016.

➤ To implement the tasks of this subchapter, the Ukrainian side has attracted expert and financial assistance in the framework of the Project «Complementary measures to the Sector policy support programme «Promoting mutual trade by removing technical barriers to trade between Ukraine and the European Union» (EU), project budget – over 6.6 mln EUR for the period: 18.05.2011–17.10.2015.

➤ In order to **create conditions for transition from mandatory certification to conformity assessment in line with the technical regulations' requirements**, some products were removed, including products with a low degree of risk and certain services, from the List of products subject to mandatory certification in Ukraine.

Moreover, the Law of Ukraine «On Technical Regulations and Conformity Assessment» establishes the legal basis for adaptation of the vertical (sector) legislation, stipulated by Section 2 of Annex III to the Agreement.

In line with the commitments under the Agreement, Ukraine has to gradually integrate into national legislation the EU acts in 27 sectors of industrial products, specified in Annex III to the Agreement, through adoption of the corresponding technical regulations.

According to those commitments, Ukraine adopted 24 (out of 27 European sectoral legal acts) technical regulations, 17 of which have already become binding to apply. Three regulations that are more technical remain to be developed in the relevant sectors (regarding explosives for civil purposes, packaging and packaging waste, and high-speed railways).

In order to maximize the approximation to the relevant European directives, Ukrainian technical regulations are being revised. Currently, 8 technical regulations are at most aligned with EU legislative acts.

Overall, Ukraine adopted 45 technical regulations, 43 of them were developed based on the EU legislation acts, including the EU New and Global Approach Directives; 34 technical regulations have already become binding to apply.

As of 1 November 2015, **the list of products subject to mandatory certification in Ukraine was reduced by more than 70%** (compared to 2009).

23 institutions for conformity assessment of products to requirements of technical regulations were designated.

➤ **The Strategy of technical regulation system development until 2020 and the Action plan for the Strategy implementation** were endorsed (Resolution of the Cabinet of Ministers № 844 dated August 19, 2015). Among the principal directions of Strategy implementation are the following:

- Adaptation of Ukraine's legislation in the area of technical regulation to that of the EU;
- Adoption, with the purpose of applying the relevant technical regulations, of European standards as national standards of Ukraine with simultaneous withdrawal of GOST standards;
- Elimination of the duplication of functions in the area of state surveillance (control) of the compliance of products with established requirements;
- Ensuring full compliance of the technical regulation system of Ukraine with the EU requirements;
- Ensuring the recognition of certificates issued by the National Accreditation Agency at the European and international levels;
- Ensuring the integration of information exchange systems in the area of state market surveillance with the relevant systems of the EU;
- Strengthening the institutional capacity of public authorities that are charged with technical regulation functions in the defined areas and development of technical regulations;
- Taking measures for preparation of the signing of the Agreement on Conformity Assessment with the EU for certain types products with the purpose of recognition of the results of conformity assessment carried out in Ukraine at the European and international levels and promotion of Ukrainian products on the European and international markets.

The Strategy implementation will allow ensuring the following:

- Securing the domestic market from dangerous and non-quality products;
- Enhancement of the competitiveness of Ukrainian products and facilitation of innovative development;
- High level of product safety and the strengthening of consumer protection as a result of efficient state market surveillance;
- Access to the EU market for Ukrainian manufacturers on the same conditions as for the manufacturers of the EU Member States;
- Creation of a favourable regulatory and business environment without excessive and duplicative requirements to products.

➤ To implement the tasks of this subchapter, the Ukrainian side has attracted expert and financial assistance in the framework of the Project «Institutional cooperation between the Ministry of Economic Development and Trade of Ukraine and the Swedish National Boards of Trade» (Sweden), project budget – over 9.5 mln SEK for the period: 01.01.2015 – 31.12.2015.

Standardization

➤ Starting from January 3, 2015, the **new edition of the Law of Ukraine «On Standardization» was enacted.**

The Law provides for bringing the national system of standardization in conformity with the European model.

➤ To implement the tasks of this subchapter, the Ukrainian side:

- Attracts expert and financial assistance in the framework of the Project «Complementary measures to the Sector policy support programme «Promoting mutual trade by removing technical barriers to trade between Ukraine and the European Union» (EU), budget – over 6.6 mln EUR for the period: 18.05.2011–17.10.2015;
- Takes into account the conclusions, given by experts of the Twinning project «Strengthening of standardization, market surveillance, metrology and legal metrology, conformity assessment and consumer policy in Ukraine».

➤ In line with European practice, **the functions of the national authority on standardization will be performed by an institution, which is not a government authority** – the State Enterprise «Ukrainian Scientific Research and Training Centre for Standardization, Certification and Quality». This will promote its independence in making decisions regarding adoption and repeal of national standards taking into account that, according to the WTO Agreement on technical barriers to trade, the standards are defined as voluntary

Competitive selection for the position of director of the National authority on standardization continues. The main requirements for a candidate include higher technical education, at least five years' experience in the field of standardization, at least three years of the overall working experience in managerial positions, strong leadership skills, and strategic vision.

The Management Board was established as an advisory and supervisory body of the National authority on standardization in order to ensure participation in its management of all stakeholders – government authorities, scientific institutions, non-government organizations, business entities, consumer associations, other public associations and trade unions (Order of the Ministry of Economic Development and Trade of Ukraine № 76 dated February 2, 2015). The composition of the Management Board was endorsed (Order of the Ministry of Economic Development and Trade of Ukraine № 459 dated March 13, 2015).

The Appeals Commission, a permanent consultative-advisory body of the Ministry of Economic Development and Trade, was also established; its Statute and Procedure of appeals review were endorsed (Order of the Ministry of Economic Development and Trade of Ukraine № 103 of February 9, 2015). The Commission reviews appeals, submitted by any natural or legal person that has a direct or indirect interest in standardization activity and/or in the application of its results, or by a technical standardization committee concerning decisions, actions or non-actions of the national authority on standardization.

The composition of the Commission was approved (order of the of Economic Development and Trade of Ukraine № 324 of April 4, 2015)

➤ **The competencies of the national authority on standardisation** will include:

- Organisation and coordination of activity in the sphere of standardization, approval of the work program on standardization;
- Adoption and repeal of national standards (including in the field of construction);

- Setting up and termination of technical standardization committees;
- Representation of the interests of Ukraine in international and regional organizations on standardization, and cooperation with national standardization bodies of other countries.

➤ **Two levels of standardization were introduced** depending on the subject of standardization: (1) national standards, adopted by a national standardisation authority, and (2) standards and technical conditions, adopted by enterprises, institutions and organizations.

➤ **Sectoral standardization is annulled**, and in this regard, central government executive authorities shall have the right within their competencies during fifteen years to examine and revise standards in the respective sectors in order to reposition them at the national level or at the level of enterprises, or repeal.

The new Law of Ukraine «On Standardization» also provides for:

- Putting an end to approval of draft national standards by government authorities;
- Abolishing state registration of technical conditions and setting up any rules relating to development of standards and technical conditions by enterprises;
- Abolishing mandatory application of national standards.

In 2015, the State Enterprise «Ukrainian Research and Training Centre for Standardization, Certification and Quality» (UkrNDNC) adopted 1817 national standards, and 878 of them were harmonized with international and European standards.

As of November 1, 2015, the Depository of national standards contains 29834 documents, including 9617 national standards harmonized with international and European standards.

Metrology

➤ In order to implement the Law of Ukraine «On Metrology and Metrological Activity»²⁶ :

- **Four scientific metrological centres** that create, improve, maintain and apply the national measurement standards **were designated** (Resolution of the Cabinet of Ministers of Ukraine № 330 dated May 27, 2015);
- **The list of categories of legally regulated measuring instruments** liable to periodic verification was established (Resolution of the Cabinet of Ministers of Ukraine № 374 dated June 4, 2015);
- The **Regulation and criteria for granting the status of national measurement standards** was endorsed (Resolution of the Cabinet of Ministers of Ukraine № 398 dated June 17, 2015). The procedure of granting of the status of national measurement standards to primary and secondary measurement standards (including state measurement standards and measurement standards owned by enterprises and organizations) was also endorsed.

The abovementioned Government regulatory acts will be entered into force on January 1, 2016 together with the Law of Ukraine «On Metrology and Metrological Activity».

➤ The draft **Technical Regulation on non-automatic weighing instruments** was elaborate and it will be soon considered by the Cabinet of Ministers.

²⁶ The new edition of the Law of Ukraine «On Metrology and Metrological Activity» (№ 1314-VII) will be entered into force on January 1, 2016.

Accreditation

- **Mandatory certification has been cancelled for 16 categories of goods** (fuel, pipes, pipefittings, small-sized tractors, and light industry products).
- **The National Accreditation Agency of Ukraine (NAAU) has been recognised at the international and European levels.**

At present, the National Accreditation Agency of Ukraine is a signatory of a number of agreements with the International Association for Laboratory Accreditation (ILAC) on the following international standards:

- ISO/IEC 17025 – «General competence requirements to testing and calibration laboratories»;
- ISO/IEC 17020 – «Conformity assessment. Requirements for the operation of various types of bodies performing inspection»;
- ISO/IEC 17024 – «Accreditation of personnel certification bodies against the standard»;
- ISO/IEC 17021 – «Accreditation of bodies providing certification of management systems against the standard».

Sanitary and phytosanitary measures

Regulatory approximation

➤ In order to implement the Law of Ukraine (№ 1648-VII) «On Amendments to Certain Legislative Acts of Ukraine Relating to Identification and Registration of Animals» and the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine Relating to Food Products» (№ 1602-VII), development of a number of legal and regulatory acts is being completed²⁷.

The Ministry of Agrarian Policy and Food of Ukraine on September 11, 2015, also adopted the Order (№ 354) «On endorsement of the form of Protocol on violation of legislation on food safety and certain indicators of the quality of products» (registered in the Ministry of Justice of Ukraine on September 28, 2015 № 1154/27599).

➤ **The Law of Ukraine «On the By-products of Animal Origin Not Intended for Human Consumption» (№ 287-VIII) was adopted.**

The Law determines:

- Basic principles, priorities and key objectives for making a well-balanced public policy in the field of handling by-products of animal origin;
- Basic requirements for reducing risks to public and animal health from by-products of animal origin at all stages of the chain – from generation and collection to use and disposal of such products.

²⁷ Specifically, 18 draft resolutions of the Government and orders of the Ministry of Agrarian Policy and Food were prepared. In order to remove legal uncertainties and take into account proposals submitted by the central government authorities concerned, a draft Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine on Food Safety» was developed.

As a result of adopting the Law, Ukrainian legislation has been harmonised with the EU law on handling, use, and disposal of animal by-products (ABP), in particular, with provisions of the Regulation of the European Parliament and of the Council EC № 1069/2009 laying down health rules as regards animal by-products and derived products not intended for human consumption, and Commission Regulation (EU) № 142/2011 of 25 February 2011 implementing Regulation (EC) № 1069/2009 and the Council Directive 97/78/EC as regards certain samples and items exempt from veterinary checks at the border under that Directive.

➤ Currently, under consideration of the Verkhovna Rada of Ukraine are the following the draft Laws of Ukraine:

- «On the State Control in Order to Check Compliance with the Legislation on Safety and Quality of Food and Feed, Health and Animal Welfare» (reg. № 0906);
- «On Feed» (reg. № 2845-1).

➤ The State Veterinary and Phytosanitary Service of Ukraine, with expert support of the EU technical assistance project «Improvement of Food Safety Control System in Ukraine», **drafted a Comprehensive strategy for implementation of the legislation in the field of sanitary and phytosanitary measures.**

The purpose of the Strategy is to work out the schedule of systematic legal approximation of Ukraine's legislation in the field of sanitary and phytosanitary measures (SPS) to the EU legislation.

No later than within three months after entry into force of the Agreement (provisional application of Title IV – DCFTA), Ukraine has to submit the Strategy to the SPS Subcommittee.

➤ A new edition of **Procedure for labelling food and feed that contain genetically modified organisms or produced with their use** was prepared (replacing the Procedure approved by the Resolution of the Cabinet of Ministers of Ukraine № 468 dated May 13, 2009), which proposes:

- To define the terms «genetically modified food product», «genetically modified organism for use in the food product», «genetically modified feed», «genetically modified organism for use in feed»;
- In case of GMOs presence in food or feed, and if their share exceeds 0.9 percent in any ingredient of food or feed, labelling of food or feed must include the words «with GMO»;
- In the list of ingredients of a food product or feed on the label after the name of each ingredient that contains genetically modified organisms or produced with their use, there must be an inscription in brackets: «This product contains genetically modified organisms" or «This product contains genetically modified [name of organism (organisms)]»;
- Market operator may include (optionally) in labelling the mark «without GMO».

The new draft Procedure is now being discussed with agricultural sector associations, the American Chamber of Commerce in Ukraine and the European Business Association.

Strengthening administrative capacity

- **Establishment of a competent authority responsible for SPS issues is at the final stage:**
 - On July 31, 2015 the State Service on Food Safety and Consumer Protection was officially registered;
 - Statute was approved, the Head of the State Service was appointed, and maximum number of staff was determined.

After endorsement of the structure, staffing, budget estimates of the State Service, and filling 30 percent vacancies, the Cabinet of Ministers of Ukraine will issue an act on implementing by the State Service its powers and performing the functions of government authorities that were terminated due to their reorganisation.

The activities of the State Service of Ukraine on Food Safety and Consumer Protection²⁸ are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Agriculture and Food of Ukraine.

Regionalization/zoning and compartmentalization

➤ The State Veterinary and Phytosanitary Service of Ukraine (SVPSU), depending on the development of epizootic or phytosanitary situation, **use the zoning principle** during the recognition of animal health status in accordance with the requirements of the Terrestrial Animal Health Code, developed by the World Organisation for Animal Health (OIE).

In particular, the application of zoning to importing products of animal origin is currently regulated by the Veterinarian imports requirements (approved by the Order of the State Department of veterinary medicine of the Ministry of Agrarian Policy and Food of Ukraine № 71 of June 14, 2004).

In order to harmonize national legislation with international requirements and standards, SVPSU with the support of the EU technical assistance project «Improvement of Food Safety Control System in Ukraine» continue preparation of **amendments to the Veterinarian import requirements that are subject to veterinary-sanitary control.**

➤ The work continues on developing the draft **Veterinary and sanitary requirements to keeping pigs, which, in particular, provides for compartmentalisation of pig farms.**

➤ On August 12, 2015, **the Agreement between the Ministry of Agrarian Policy and Food of Ukraine and the Ministry of Agriculture and Rural Development of the Republic of Poland on implementation of the programme to combat rabies on the territory of Ukraine in 2015** was signed.

Implementation of this Agreement will contribute to limiting the spread of rabies virus on the territory of Ukraine and protect territories of the Republic of Poland and Hungary (territory of the European Union) from its penetration, and will foster creating a buffer zone on rabies in Ukraine's regions bordering with Poland.

Two campaigns was launched on per oral immunization of wild carnivorous animals in 2015 on the territory of Ukraine's regions, bordering Poland, in the area of 24 600 sq. km.

²⁸ [Decree of the Cabinet of Ministers of 18 November 2015 № 942](#), please see Section III Scheme of coordination of the central executive bodies by the Cabinet of Ministers of Ukraine through the relevant members of the Cabinet of Ministers of Ukraine approved by the [Decree of the Cabinet of Ministers of Ukraine of 10 September 2014 № 442 «On optimization of central executive power»](#).

Reforms in the customs sphere are based on the new edition of the Customs Code of Ukraine, which is developed taking into account provisions of the International Convention on the simplification and harmonization of customs procedures, Convention relating to temporary admission, and the European Union Customs Code.

➤ The work continues on **achieving European timeframe standards of processing customs declarations**. Thus, the average timeframe of customs declarations clearance for import is now 2 hours 25 minutes, for export – 52 minutes.

Positive dynamics achieved in transition from paper to electronic forms – percentage of electronically issued customs declarations to the total number of declarations amounts to 87%.

➤ **Amendments to the Customs Code of Ukraine** are being developed, which would provide for:

- Unification of requirements to Authorized economic operator with the same requirements in the EU legislation;
- Introduction of simplifications similar to European (customs clearance at the location, simplified declaration procedure, reducing the guarantee amount in application of financial guarantees, etc.);

The prepared amendments were presented at the meeting of the EU Network of Authorised Economic Operator (AEO) on 30 September – 1 October 2015.

➤ A Supervisory Board and the Working Group on **Ukraine's accession to the common transit procedure EU / EFTA** have been established.

An Action plan on Ukraine's accession to the common transit procedure EU / EFTA has been developed.

The EC expert on transit issues has been working in the State Fiscal Service during 2015 to provide assistance to the Working group on Ukraine's accession to the common transit procedure

➤ On 4 November 2015, the Verkhovna Rada of Ukraine **ratified the Protocol of Amendment to the Marrakesh Agreement Establishing the World Trade Organization** with the purpose of Ukraine's implementation of internal procedures necessary for the entry into force of the Agreement on trade facilitation²⁹.

The objectives of the Protocol's ratification and application of the Agreement is to reduce the time and lower the costs of customs control, improve the transparency and efficiency of operations of state agencies, improve the development of SMEs, etc.

The provisions of the Agreement on trade facilitation are aimed at simplification of customs procedures, in particular, by reducing the associated financial costs and reducing time of implementation of such procedures, the promotion of a wider application of "a single window" system and procedures for accelerated dispatch of goods, increase the publicity of public authorities and reduce corruption.

According to the OECD, implementation of the Agreement by Ukraine will reduce trade costs associated with the implementation of foreign trade activities by more than 15 percent.

²⁹ As of October 21, 2015, the Agreement was ratified by 50 WTO members (out of 161), among which are: the USA, Switzerland, Japan, Korea, China, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Australia, New Zealand and the European Union and its 28 member states. The Agreement will enter into force after its ratification by two thirds of WTO members.

➤ The draft Law of Ukraine «On Amendments to the Customs Code of Ukraine Relating to protection of intellectual property rights when moving goods across the customs border of Ukraine».

After legal examination and examination for compliance with the EU acquis, the Cabinet of Ministers of Ukraine will consider the draft Law of Ukraine.

➤ Pursuant to Article 353 and Annex XXVIII³⁰ to Chapter 4 «Taxation» of the Association Agreement the Cabinet of Ministers of Ukraine submitted to the Verkhovna Rada the draft Law of Ukraine «On amendments to the Tax Code of Ukraine regarding peculiarities of taxation the value added operations to import into Ukraine of goods by individuals carry-on baggage and / or accompanied baggage» (reg. № 3470).

The draft Law will make appropriate changes to Articles 191 and 196 of the Tax Code on establishing thresholds regarding the goods importation without VAT cabin baggage and / or accompanied baggage at 430 EUR through the entry points open for air and maritime traffic, and at 300 EUR – through other checkpoints. This draft Law relates to the draft Law of Ukraine «On amendments to the Customs Code of Ukraine» (reg. № 3444).

➤ Pursuant to Articles 84, 353, Annex XV³¹ «Approximation of customs legislation» and Annex XXVIII to Chapter 4 «Taxation» of the Association Agreement the Cabinet of Ministers of Ukraine submitted to the Verkhovna Rada the draft Law of Ukraine «On amendments to the Customs Code of Ukraine (concerning the implementation of the Association Agreement between Ukraine EU)» (reg. № 3444).

The draft Law provides for setting thresholds on the goods importation without taxation customs payments in the carry-on baggage and / or accompanied baggage at 430 EUR instead of 1,000 EUR through crossing points open for air and maritime traffic, and at 300 EUR instead of 500 EUR - through other checkpoints.

➤ **Current cooperation issues** in the customs sphere were discussed by representatives of Ukraine and the EU on October 15, 2015, at the meeting of the Subcommittee «Customs and Transborder Cooperation» under the Partnership and Cooperation Agreement.

Establishment of business, trade in services and electronic commerce

Establishment of business entities

Public policy in the spheres of establishment business entities, trade in services and electronic commerce is aimed at further approximation of Ukrainian legislation in these areas to the laws, standards and practices of the EU, including simplification of the establishment and functioning of companies, their branches and representative offices, the protection of the rights of investors, the use of electronic means of payment, etc. (see priority 7 of the Association Agenda).

A Comprehensive road map in the field of financial services was developed and is currently discussed with the EU side³².

³⁰ Provides for the implementation of the third part (concerning quantitative restrictions) of Council Directive 2007/74/EC of 20 December 2007 on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries.

³¹ Provides for the implementation of Sections I and II of Council Regulation (EC) № 1186/2009, which establishes the Community system for exemption of duties, and chapter 3 of Council Directive 2007/74/EC of 20 December 2007 on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries.

³² See also chapter «Financial Services» and Section «Economic and sectoral cooperation» of this Report.

Trade in services

➤ In order to **introduce international standards of supervision**, in particular on implementation of the supervision (oversight) of payment systems and settlement systems, the National Bank of Ukraine adopted the following measures:

- **Approved Methodology for comprehensive assessment of systemically important payment systems** (Resolution of the NBU Board № 635 dated September 24, 2015), which take into account international standards, determined by the Committee on payment and settlement systems of the Bank for International Settlements and the Technical Committee of the International Organization of Securities Commissions (IOSCO).

The methodology determines the compliance of systemically important payment systems with the core principles set by international standards of oversight, in particular regarding to:

- Management of the payment institution;
 - Management of risks (credit, commercial, depository, investment, operational, and liquidity risks);
 - Settlement finality in payment system;
 - Requirements for access, participation and structure of participation in the payment system;
 - Efficiency and effectiveness of the payment system operation;
 - Publication and provision of information by payment institution;
- **Specified requirements to the documents of participants of the market of payment services**, including in the part of performing financial monitoring, the observance of which should improve the transparency of payments and to eliminate the illegal conduct of operations (Resolution of the NBU Board № 480 dated July 24, 2015), taking into account the requirements of Regulation (EC) № 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds;
 - **Strengthened requirements to prevent legalisation (money laundering) of proceeds from crime and terrorism financing** by making appropriate changes in the Regulation on electronic money (Resolution of the NBU Board № 481 dated July 24, 2015).

➤ The Ministry of Finance is finalizing the development of **Risk criteria of legalisation (money laundering) of proceeds from crime**, terrorism financing and financing of proliferation of weapons of mass destruction.

The draft act will stipulate that the risk assessment is carried out by the geographical location of the country of registration of the client, through which he carries out the transfer (receipt) of assets, by the type of client, type of goods and services.

Risk assessment will be carried out in respect to all clients, to whom financial or other services are provided, and/or with whom business relations are established.

Electronic commerce

➤ On September 3, 2015, the Verkhovna Rada adopted **the Law of Ukraine «On Electronic Commerce»** (№ 675-VIII), aimed at approximation of Ukrainian legislation to EU standards in the field of innovative technologies and e-commerce. The Law, in particular:

- Defines the legal status of the buyer and the seller of goods, works and services in e-commerce;
- Establishes the obligation for the seller, which distributed the information about the product, work, and service, to disclose and provide direct, easy, stable access to information about its full name and address, details of the (if license is mandatory), information on including taxes and cost of shipping into the cost of the good, the work, and/or the service;
- Equates an e-deal, in terms of the legal consequences, with a contract concluded in writing;
- Establishes the obligation for all participants in the sphere of electronic commerce to protect personal information, which they learned from electronic documents (messages) in implementation of electronic transactions, in the manner prescribed by the law of Ukraine «On Personal Data Protection».

However, in connection with the adoption of the Law of Ukraine «On Electronic Commerce», the EU experts expressed comments on inadequate and insufficient fixation in the Ukrainian legislation the liability of intermediary service providers in the field of intellectual property.

Proper regulation in the legislation of Ukraine these issues and ensuring of an effective implementation of this Law in accordance with the obligations under the Association Agreement, should be realized by the adoption of the draft Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine on Protection of Copyright and Related Rights in the Internet» (reg. № 3353).

➤ The draft Law of Ukraine «On Electronic Trust Services» was developed (reg. № 2544a), aimed at improving legislation in the sphere of use of public key infrastructure and provision of electronic trust services, development of uniform system of electronic trust services, mutual recognition of Ukrainian and foreign public key certificates, electronic signatures and seals.

Current payments and movement of capital

In order to implement the provisions of the Agreement, Ukraine carries out preparations for the liberalization of its legislation in the sphere of movement of capital. The EU project «Technical assistance in the financial sector's priority areas» facilitates these efforts; one of its components «Strengthening capacity in implementing measures to establish necessary preconditions for the future gradual introduction of free movement of capital» is implemented in the National Bank of Ukraine.

Intellectual property

➤ In July 2015 the State Intellectual Property Service of Ukraine presented a number of draft laws, aimed at adaption of the relevant EU Directives and Regulations and the provisions of Chapter 9 of the Association Agreement the following draft Laws of Ukraine:

- **«On amendments to certain legislative acts of Ukraine on Resolving Issues of Copyright and Related Rights in the Internet».** The draft law:
 - Resolves conflict between provisions of the Civil Code of Ukraine and Law of Ukraine «On Copyright and Related Rights» concerning the ownership of property to the office computer programs;
 - Enshrines «freedom of panorama» (exception to copyright, which provides the possibility of free photographic works of architecture and sculptures in public places);
 - Introduces the innovative for Ukrainian legislation concept of a public license agreement in order to legalise common in the digital environment electronic contracts, such as end-user licenses for use of copies of computer programs, licenses for «free software» (e.g. Linux, Open Office) and other «free content» (for example, articles in Wikipedia);
 - Abolishes the term «video gram» that always evoked criticism from international experts, and introduces the term «producer of the first record of the film».

The draft law was submitted for consideration to the Verkhovna Rada (reg. № 3353).

- **«On collective management of property rights of the copyright and related rights Subjects».**

The draft law has been elaborated to resolve at the legislative level the issue of activities of collective management organizations and ensuring transparency of collective management organizations.

The draft law takes into account the basic provisions of Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market.

- **«On Amendments to Certain Legislative Acts of Ukraine on Intellectual (industrial) Property».** The draft Law provides for introduction into the laws of Ukraine on regulating relations in the sphere of industrial property the following norms:
 - Electronic submission of applications and their electronic record keeping;
 - Producing official e-newsletter;
 - Publication of information on applications for filing objections on granting legal protection to objects of industrial property rights (trademarks, industrial designs, geographical indications);
 - Appeals against decisions of persons, who submitted objections to the Appeals Chamber;
 - Publication of decisions of the Appeals chamber;
 - Restoration of the rights of the applicants.

- **«On Amendments to Certain Legislative Acts of Ukraine Relating to Strengthening Protection of Intellectual Property Rights».**

The purpose of the adoption of the draft Law is harmonization of the provisions of current legislation of Ukraine with EU legislation, namely implementation of the provisions of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the protection of intellectual property rights and relevant provisions of the Agreement.

Amendments to the legislation of Ukraine, in particular, relate to:

- Procedure for compensation of damage for violation of intellectual property rights;
- Range of persons, who have the right to apply to the court for protection of those rights;
- Demanding evidence and ensuring the right to information in cases of violations of those rights;
- Alternative measures that may be taken by the court in cases of violation of intellectual property rights.

➤ On August 21, 2015, the State Intellectual Property Service on its official website (<http://sips.gov.ua>) opened **on-line access to information about applications for trademarks**, which is updated daily.

This allows copyright holders to timely track submitted applications, which may violate their intellectual property rights, and to prevent registration of unscrupulous trademarks by means of filing objections.

Access to the interactive online database, where «Applications for trademarks for goods and services taken into consideration» can be found in sections: «Information resources» - «Electronic Information Resources» - «Databases, Information and Reference Systems» - «Trademarks of goods and services».

➤ On October 6, 2015, **amendments to the Cooperation Program/Agreement between the State Intellectual Property Service of Ukraine (SIPSU) and the World Intellectual Property Organization (WIPO) were adopted.**

This will allow the SIPSU and Ukrpatent in the near future to begin implementing the functions of International searching authority and International preliminary examining authority.

Competition

➤ The Law of Ukraine «On Amendments to Certain Legislative Acts on Ensuring Transparency of the Antimonopoly Committee of Ukraine Activity» (reg. No 2102) was adopted³³.

The Law, in particular, provides for establishing **responsibility of the Antimonopoly Committee to publish its decisions taken by results of review of applications and cases on concerted actions or concentration.**

➤ At the same time, to ensure openness and transparency, **the Antimonopoly Committee has already introduced practice to publish decisions taken at its meetings.** Disclosure is required for all Committee decisions, in particular regarding the results of review of applications and cases on concerted actions or concentration.

Decisions are made public on the official web site of the Antimonopoly Committee – <http://www.amc.gov.ua/amku/control/main/uk/publish/category/80173>

➤ Amendments to the legislation on protection of economic competition relating to **determination by the Antimonopoly Committee bodies the amounts of fines/penalties for violation of competition legislation were developed.**

In particular, determining the amount of penalty for violation of competition law is carried out in two stages: at the first stage, the basic amount of fine for each defendant is determined; at the

³³ The Law adopted by the Verkhovna Rada of Ukraine on November 12, 2015.

second – this amount is adjusted to reflect aggravating and mitigating circumstances. In determining the estimated basic amount of the fine, the following aspects are taken into account:

- The income of a seller from sale of products associated with the violation, or the expenses of a buyer for purchasing goods, directly or indirectly associated with the violation;
- Severity of the violation;
- The need to ensure a deterrent effect;
- The costs that have been/could be incurred by a buyer for purchasing products (goods, works, services) in case if such violation did not happen, and the products would have been sold realized under conditions of high competition.

In exceptional cases, due to the need to ensure adequate deterrent effect, the penalties may be determined in larger amounts for committing violations that led to particularly negative effects on competition.

Also, in exceptional cases, in particular, caused by force majeure or other special circumstances of natural, economic and social character, fines can be determined in smaller amounts (including a symbolic one).

The relevant draft Law of Ukraine was submitted to the Verkhovna Rada³⁴ (reg. № 2431).

➤ The draft Law of Ukraine «On Amendments to the Law of Ukraine «On Protection of Economic Competition» Relating to Improving Efficiency of Control over Economic Concentrations» (reg. № 2168)³⁵ was submitted to the Verkhovna Rada for consideration.

The draft Law is aimed at deregulation of economic activity, namely the increase of monetary indicators, which requires the approval of the Antimonopoly Committee on concentration of economic entities, and assessment of the impact of such concentration on competition in Ukraine, as well as on the implementation of the provisions of Articles 1 and 5 (1) - (2) of Council Regulation (EC) № 139 / 2004 of 20 January 2004 on the control of concentrations between undertakings.

The draft Law was elaborated taking into account the Recommendations of the Organisation for Economic Cooperation and Development³⁶, Recommendations of the International Competition Network³⁷, and Recommendations from the UNCTAD Review³⁸ to build an effective, efficient and rapid control system for economic concentrations. The draft Law aims to implement the principles of an effective system of control over economic concentrations, including:

- Implementation of the procedures aimed to ensure an accelerated review and permission for those mergers that do not raise concerns about their impact on competition;
- Establishing of a clear criteria for determining whether a merger requires treatment with the appropriate application for a permit for its implementation;
- Ensuring consideration of mergers and decision-making within a reasonable period and forecast³⁹.

³⁴ Adopted by the Verkhovna Rada of Ukraine at first reading on 12 November 2015.

³⁵ Adopted by the Verkhovna Rada of Ukraine at first reading on 12 November 2015.

³⁶ <http://www.oecd.org/competition/mergers/40537528.pdf>

³⁷ <http://www.internationalcompetitionnetwork.org/uploads/library/doc326.pdf>

³⁸ UNCTAD, Voluntary Peer Review of Competition Law and Policy in Ukraine.

http://unctad.org/en/PublicationsLibrary/ditcclp2013d3_overview_en.pdf

³⁹ OECD Council Recommendation on consideration of the merger of 23 March 2005, para IA1.3.

<http://www.oecd.org/competition/mergers/40537528.pdf>

➤ In order to clarify the principles for determining penalties imposed for violation of competition law, Recommendations/Guidelines on clarification concerning application of provisions of the second and fifth paragraphs of Article 52 of the Law of Ukraine «On Protection of Economic Competition», and the first and second parts of Article 21 of the Law of Ukraine «On Protection Against Unfair Competition» (№ 16-pp dated September 15, 2015) were prepared.

Based on the European experience, these guidelines provide for:

- Formulation of the principles of legal certainty, proportionality, non-discrimination and ensuring the deterrent effect of penalties;
- Definition of approaches recommended to be used by the Antimonopoly Committee when determining the amount of fines for violation of competition legislation.

The guidelines are posted on the official website of the Antimonopoly Committee in accordance with obligations under the Association Agreement regarding the mandatory publication of the Committee's decisions.

State aid

➤ The Law of Ukraine «On Amendments to the Budget Code of Ukraine Relating to Decisions of the Authorized Body on State Aid» (№ 416-VIII) was adopted.

The Law provides for safeguards to prevent the allocation of budget funds for the state aid to undertakings, which can lead to the distortion of competition

In order to ensure is to ensure the proper implementation of the provisions the Law of Ukraine «On State Aid to Undertakings»⁴⁰ through adoption of adequate by-laws, as well as efficient institutional and organizational support:

- Amendments were made to the Institutional reform plan (IRP) in the sphere of monitoring and control of the State aid to undertakings in order to make it more detailed and include into IRP measures of personnel, organizational and institutional support for the process of establishing a system of monitoring and control of State aid (Resolution of the Cabinet of Ministers of Ukraine No. 936 dated 16 September, 2015);
- Draft Procedure for return of illegal state aid, unacceptable for competition, was developed and approved on October 6, 2015, at the Antimonopoly Committee's meeting. The draft document has been submitted to the interested central government executive authorities for approval.

Transparency

The Association Agreement contains provisions regarding the publication of information on laws, by-laws, court decisions, procedures and administrative rules, which may affect any matters covered by the Agreement, with the exception of court decisions concerning an individual.

Ukrainian legislation provides appropriate conditions to ensure prompt publication, providing access via the official Internet resources for all people and interested parties to the texts of legal acts and regulations adopted by relevant government authorities.

⁴⁰ The law of Ukraine «On State Aid to Undertakings» № 1555-VII was adopted on July 1, 2014.

Ukraine **introduced a mechanism for publishing orders of the Prosecutor General of Ukraine.** The Orders of the Prosecutor General of Ukraine, which are the normative legal acts, after they are included into the Unified State Register of legal acts, are published in the Ukrainian language in the official government periodicals and posted on the official website of the Prosecutor General's Office of Ukraine.

Trade and sustainable development

The Ukrainian side began working on establishment of an Advisory Group on sustainable development and formation of the Ukrainian part of the Group of experts in the sphere of trade and sustainable development.

The Ministry of Economic Development and Trade is reviewing proposals from government authorities, public and non-governmental organizations regarding the personal composition of the Advisory Group.

Dispute settlement

With the purpose to develop a list of representatives from Ukraine, to be submitted and agreed by the Trade Committee, to serve as arbitrators of arbitration panels in accordance with Article 307 of the Agreement, Ukraine is finalizing selection procedure and establishment of such a list, pursuant to dispute settlement proceedings under the Agreement.

VI. ECONOMIC AND SECTOR COOPERATION

Energy sector cooperation

Integration of energy markets and enhancing energy security

➤ **Reverse supplies of natural gas from Europe**, particularly from Poland, Slovakia, and Hungary were renewed.

➤ In order to implement Article 340 of the Agreement, **has been endorsed the list of authorized representatives from the Ukrainian side in the framework of the Early Warning Mechanism between Ukraine and the EU.**

➤ On February 10, 2015, Ukraine and the World Bank **signed a Loan Agreement for provision to Ukraine of 378.4 mln USD to finance the project on the development of national electric networks.** The loan includes 330 mln USD directly from the World Bank, and 48.4 mln USD from the Clean Technology Fund.

The loan will be directed at implementation of the «Second project on transmission of electricity», in order to increase the reliability of the transmission system and support the introduction of the wholesale electricity market in Ukraine.

➤ On 24 March 2015, Ukraine and the European Bank for Reconstruction and Development **signed a Loan agreement, which provides the allocation of 65 mln EUR to the State enterprise NEC «Ukrenergo».**

➤ In March 2015, **the Secretariat of the Energy Community (EnC) began discussions with the Ukrainian and Moldavian sides on launching a project, aimed at establishment the cross-border day-ahead electricity market.**

➤ On 15th of July 2015 **the Financial Agreement (Pipeline «Urengoy – Pomary –Uzhgorod» (the Project «Reconstruction, Capital Repair and Technical Re-equipment of the Major Pipeline «Urengoy – Pomary –Uzhgorod»)) between Ukraine and European Investment Bank (the Law of Ukraine № 603-VIII) was ratified.**

Within the project the EIB allocates 150 mln EUR and 150 mln EUR - the loan of the EBRD. The signature of that Financial Agreement enables the start of the Project with aim to ensure an uninterrupted and reliable transport of gas to Europe through the territory of Ukraine.

➤ The consultations **on the renewing of Memorandum of Understanding between the European Union and Ukraine on co-operation in the field of energy** in order to ensure its conformity with the current challenges and objectives in the energy field have started.

At the meeting of the Subcommittee Cluster 1 «Economic and other sector cooperation» (*issues of energy, transport, environment protection and climate change*) (28-29 September, 2015), the parties expressed the hope that the process of preparing amendments to the Memorandum will be completed in 2015.

Energy efficiency

➤ **The amendments that are aimed on assurance of conditions for the competitiveness of the electricity production from the alternative energy sources were introduced** (the Law of Ukraine № 514-VIII).

In particular:

- «Green» tariff for electricity, which produced by wind plants for private households as well as for electricity produced from geothermal energy was introduced;
- «Green» tariff for private solar / wind installations applies to a capacity of 30 kW and has to be reviewed taking into account exchange rate fluctuations;
- «Green» tariff for the power plants that produce the electricity from the biomass and biogas was increased by 10%; from the solar energy - the tariff was reduced by 45%;
- The term «biomass» brought in line with the requirements of the European Parliament and of the Council Directive 2009/28/EC. That enables to get the «green» tariff for the production of electricity not only from the waste, but also from the products of agriculture and forestry;
- The rule of «local content» is cancelled and surcharge to the «green» tariff is instead introduced as a stimulating factor in cases when using domestic equipment; the amount of surcharge will be 5% (localization of 30%) or 10% (localization of 50%). The surcharge is set until 2030, but is not applicable to the power plants which became operational after 2025;
- The unified formula was introduced for calculation of the «green» tariff for all kinds of energy: the on-peak load ratio was excluded from the formula for calculation of the «green» tariff for electricity produced from solar energy and by the micro, mini and small hydropower plants.

➤ In order **to facilitate conditions for business activity in the field of biofuels production** were developed amendments to the Law of Ukraine «On alternative fuels». The draft Law foresees:

- The elimination from the Law of Ukraine «On alternative fuels» the provisions on the conduction of the state register for producers of liquid biofuels and biogas by the body authorized by the Cabinet of Ministers of Ukraine;
- The abolition of requirements to entry in the register of business entities, which are engaged in economic activities related to the production, storage and placing on the market of liquid biofuels and biogas.

The respective draft Law of Ukraine was submitted to the Verkhovna Rada of Ukraine (reg. № 3330).

➤ **The Technical Regulation of the energy labelling of household dishwashers was approved⁴¹.**

The energy labelling of household dishwashers will provide the customers of this equipment with complete and reliable information about its energy efficiency class.

The Technical Regulation has implemented into the national legislation the provisions of Commission Delegated Regulation (EU) No 1059/2010 of 28 September 2010 supplementing Directive 2010/30/EU of the European Parliament and of the Council with regard to energy labelling of household dishwashers.

⁴¹ Resolution of the Cabinet of Ministers of Ukraine as of July 17, 2015 № 514. Resolution enters into force on February 7, 2016.

To implement the tasks of the priorities, Ukrainian Side enlists the expert and technical support of the projects:

- «Municipal energy reform in Ukraine» (USA), project budget - about 13.5 mln USD for the period: 27.09.2013 - 09.29.2017;
- «Energy efficiency in communities» (Germany), project budget - 4 mln EUR for the period: 01.09.2013 - 08.31.2016.

Nuclear safety

➤ As a part of the nuclear power sector reform **the draft Law of Ukraine «On peculiarities of corporatization of state enterprise» National Nuclear Energy Generating Company «Energoatom» was developed.**

The Draft Law foresees the creation of the public joint stock company with 100% shares owned by the State, during the corporatization of the State Enterprise «National Nuclear Energy Generating Company «Energoatom».

➤ The work **on the draft of the State target economic program for development of the atomic-industrial complex of Ukraine for 2016-2020** is continuing.

The program focuses on organization of the production of nuclear fuel and its components from the national resources of natural uranium and zirconium with aim to provide the Ukrainian NPP with nuclear fuel, to reduce import dependency and to diversify of fuel suppliers on a stable basis.

Management of public finances: fiscal policy, internal control and external audit
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➤ The Law of Ukraine «**On the open use of public funds**» (№ 183-VIII) establishes the conditions and procedures for providing informational awareness and access to public funds for the recipients of state and local budgets, state entities, as well as for the compulsory state social insurance funds

The law foresees the quarterly publication on the planned and the actual use of public funds. In addition, it also envisages the free and accessible provision of such information on a specially created a single web portal.

➤ In order to implement the above-mentioned Law, the government took the following steps:

- **The state enterprise «The main design and manufacturing service centre of computer technology»,** under the Ministry of Finance of Ukraine is **authorized to administer a single web portal of the use of public funds**⁴²;
- **Approved the procedures of informational disclosure about payment transactions on the single treasury account**⁴³;
- **Approved the administration procedures for a single web portal to track the use of public funds**⁴⁴.

⁴² Resolution of the Cabinet of Ministers of Ukraine № 911 on September 14, 2015.

⁴³ Resolution of the Cabinet of Ministers of Ukraine № 676 on September 14, 2015.

➤ In order to improve transparency and predictability of fiscal policy, in particular through reducing cases of amendments to the state budget, the Ministry of Finance of Ukraine along with the Support Ukraine Group of the European Commission developed the draft Law of Ukraine «**On Amendments to Article 52 of the Budget Code of Ukraine**» (regarding budgetary rules related to the budget amendment).

The draft Law envisages clear rules for amendments to the state budget during the budget year, including:

- Determination of the exhaustive list of cases in which changes to the Law on State Budget of Ukraine can be made;
- Definition of cases in which the Cabinet of Ministers of Ukraine has an exclusive right to submit changes to the Law on State Budget of Ukraine before the Parliament of Ukraine - the Verkhovna Rada;
- Mandatory government conclusions elaborated by the Ministry of Finance on the feasibility and / or the possible adoption of a law that has been initiated by other subjects of legislative initiative. The government conclusion is a prerequisite for bringing the draft law on budget amendment to the Parliamentary Committee on Budget.

➤ The following achievements have been made as part of the Memorandum of Understanding between the State Financial Inspection of Ukraine and the Ministry of Finance of the Netherlands on support to the development of public internal financial control:

- The manual of internal financial audit;
- The beginning of the work on guidelines on internal financial audit for the Ukrainian public sector and on methodological guidance for the organization and conduction of IT audits.

Taxation

➤ **Amendments to the Tax and Customs Codes of Ukraine regarding peculiarities of the added value taxation of the individuals' cabin luggage during the operations of importing goods to Ukraine** were developed⁴⁵.

➤ Given the adopted amendments to the Tax Code of Ukraine, the current work focus is **on simplifying tax reporting forms**. The draft of the new corporate income tax declaration form foresees:

- The unification of corporate income tax declaration form (one single form instead of five separate forms);
- A significant numerical reduction of annexes to the tax declaration form (from 14 to 9 annexes);
- Simple and logical tax declaration structure that would allow the taxpayer to determine their tax liabilities quicker.

⁴⁴ Resolution of the Cabinet of Ministers of Ukraine № 694, on September 14, 2015.

⁴⁵ See item «Customs and trade facilitation» in Chapter V «Trade and trade related issues» of this Report.

The draft of the simplified tax declaration form of VAT foresees:

- Reduction of the number of declaration sections (from four to three sections); Reduction of the number of rows in declaration by almost 70 percent (from 96 to about 30 rows for fulfil in the declaration);
- Reduction of the amount of information to be reflected in the tax declaration and its annexes, as well as in the tax bill (the proposal is to exclude the information which become irrelevant due to the introduction of electronic VAT administration system).

The introduction of the simplified tax declaration forms will reduce the taxpayers' time spent on its preparation and minimize errors.

➤ For the purpose of providing the distance online service to the taxpayers, **the electronic card of the taxpayer** has been introduced. The electronic card aims at proving online operations to taxpayers through the system of «Personal Electronic Cabinet», through the self-service terminals and other informational systems of the State Fiscal Service of Ukraine.

The electronic service «Personal Electronic Cabinet» is one of the main tools to provide electronic services in a real time and at no cost to taxpayers. The functions of this electronic service will allow:

- Generate and submit the electronic tax declaration;
- Submit electronic application and obtain electronic certificate of tax debt absence.

The service saves time and prevents interference of human factor in the interaction between the taxpayer and the state fiscal authority.

Banking sector

➤ On 10 July 2015 the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine on capacity building of the National Bank of Ukraine» (№ 541-VIII) and the Law of Ukraine «On Amendments to the Budget Code of Ukraine on capacity building of the National Bank of Ukraine» (№ 542-VIII), entered into force. The provisions of both laws are aimed at **strengthening the independence of the National bank of Ukraine.**

As part of the implementation process of these new Laws, the composition of the Board of the National Bank of Ukraine has been renewed, in particular, the Board was transformed into a collegial body and its composition is reduced up to six members.

In addition, the reforming process is taking place in the decision-making system of the Board of Ukrainian National Bank. In particular, the Board delegated powers of newly created committees, which should contribute to the improvement of work quality and effectiveness of the Board.

In particular, the Board of the National Bank of Ukraine has already established the following committees that are currently functioning:

- Committee for change management;
- Committee for monetary policy;
- Committee for financial stability;
- Credit Committee;

- Committee for Asset and liability management;
- Committee for competitive bidding;
- Committee for oversight and regulation of banks and for supervision (oversight) of payment systems.

It is also planned to establish the Committee for budget and the Committee for operational risk and business continuity management.

On 1 November 2015, the decision-making system of in the National Bank committees is operating under the new model.

Company law, corporate governance, accounting and audit

➤ In order to implement the Directives of the European Parliament and of the Council 2013/34/EC of June 26, 2013 (concerning the annual financial statements, consolidated financial statements) into the Ukrainian legislation, there have been elaborated amendments to the Law of Ukraine «**On Accounting and Financial Reporting in Ukraine**» (reg. № 2486) which have already been submitted to the Verkhovna Rada of Ukraine.

Taking into account that the provisions of Directive 2013/34/EC in some cases differ from the rules of International Financial Reporting Standards (IFRS), companies that prepare financial statements under IFRS, will be guided by the provisions of IFRS. However, all the other businesses will be guided by the national provisions (standards) of accounting aligned with Directive 2013/34/EC after the adoption of amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine». The amendments to the Law envisage the following:

- To establish criteria of defining business as micro, small, medium and large enterprises in accordance with Directive 2013/34 / EC;
- To establish that the company engaged in mining of national importance, prepare the financial statements under IFRS;
- To extend the application of the Law «On Accounting and Financial Reporting in Ukraine» on the budget operations and on budget reporting, taking into account the budget legislation;
- To reduce the list of obligatory requisites for primary documents;
- To specify the period of drafting the interim financial statements;
- To improve the procedure for submission and publication of financial statements.

➤ **The draft Law of Ukraine «On the audit of financial statements and audit activities» was developed.**

The draft Law aims at implementation of the Directive 2006/43/EC of the European Parliament and of the Council of Europe of 17 May 2006 on statutory audits of the annual reporting, the Directive 2014/56/EC of the European Parliament and of the Council Europe of 16 April 2014 which introduces the amendments to the Directive 2006/43/EC and to implement the Regulation of the European Parliament and of the Council of Europe 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of entities that cause public concern. The draft Law

envisages the following:

- To introduce the system of public oversight of the audit and to ensure the independence of the system of public oversight from auditors;
- To create a quality control system of audit services and the corresponding system of sanctions;
- To introduce the direct application of international auditing standards;
- To create a unified register of auditors and audit firms;
- To identify categories of enterprises with public interest which should be subject to mandatory audit.

In order to implement the priority tasks, the Ukrainian side involves expert and financial assistance under the Project «Technical Assistance in the Financial Sector's Priority Areas» (EU). The funding of the project is 3.36 mln EUR for the period from 27.03.2015 – 27.03.2018.

Statistics

➤ **The government approved⁴⁶ the draft Law of Ukraine «On amendments to certain laws of Ukraine regulating state statistical activities».**

The draft Law aims at strengthening the coordination role of the State Statistics Service of Ukraine in the national statistical system and at identifying the producers of statistical information and the suppliers of administrative data. The draft Law also aims at formation of the National Council on Statistics.

The establishment of the National Council on Statistics will provide the legal basis to consolidate the coordination role of the State Statistics Service which is necessary to build a coherent national system of official statistics and to ensure its compliance with the fundamental principles of official statistics of the United Nations, the European Statistics Code, and with the Compendium of statistical requirements.

➤ **Concept of providing statistical confidentiality has been approved** (order of the State Statistics Service of Ukraine № 180 of 28 July 2015). The document is based, inter alia, on the principles of official statistics, adopted by the UN Statistical Commission in 1994, the principles and norms of the European Code of Practice approved by the Committee statistical programs on September 28, 2011.

The concept establishes the legal framework of statistical confidentiality for the state statistics institutions in accordance with international norms, standards and regulations as well as provides the access to more detailed statistical information taking into account the statistical confidentiality. These measures should improve the quality of statistical information and gain users confidence as well as confidence of respondents to the activity of state statistics.

➤ **Approval of the Methodological provisions** concerning the organization of the structural revision of insurance companies (Order of State Statistics Service of Ukraine № 225 of 29 September 2015).

⁴⁶ Approved on November 11, 2015.

The document introduced methodology for compiling structural statistics indicators on insurance companies into the Ukrainian statistical practice. The structural statistics indicators are required by the EU legislation, in particular, the Regulation (EC) № 295/2008 of the European Parliament and of the Council of Europe of 11 March 2008 concerning structural statistics of the above-mentioned subjects.

➤ As part of the implementation of structural observations in the field of agriculture, **the forms of state statistical observations for agriculture and fisheries have been approved**, including the use of nomenclature for agricultural and fishery products and of aquaculture (Order of the State Statistics of Ukraine № 219 of 25 September 2015).

➤ The State Statistics Service of Ukraine together with the State Fiscal Service of Ukraine and the National Bank of Ukraine prepared the **explanation on possible data discrepancies regarding foreign trade of goods and services in their statistics**. The explanation states the following:

- The foreign trade data which is prepared by the State Fiscal Service is based on customs declarations, submitted to the customs authorities when moving goods across the customs border of Ukraine;
- The State Statistics Service complement the same foreign trade data with state statistical reports on goods purchased in ports and on goods that do not need to pass customs declaration. In addition, the State Statistics Service also corrects this data taking into account the volume of crude oil and natural gas.
- The existence of discrepancies between the State Statistics and the National Bank in data on foreign trade of goods and services is due to:
 - The different methodological basis used by the State Statistics Service and the National Bank in drafting foreign trade balance and balance of payments (in terms of coverage and classification). At the same time, methodological approaches used both by the State Statistics Service and by the National Bank meet the relevant international standards;
 - Use of different sources of information.

[Explanation](#) can be found on the official website of the State Statistics Service.

In order to implement the priority tasks, the Ukrainian side involves expert and financial assistance under the Twinning Project «Support to Development Process in the State Statistics Service of Ukraine with the Objective of Enhancing its Capacity and Production» (EU). The funding of the project is 1.5 mln EUR for the period from 18.11.2013 – 17.02.2016 and includes the cooperation in transport.

Cooperation in transport sector

Transport policy

➤ In order to approximate Ukrainian legislation to the EU law in the field of transport policy and infrastructure, the work is underway on the development of a **draft Law of Ukraine «On Multimodal Transportation»**.

The draft law foresees to determine the legal and organizational framework for multimodal, or intermodal, combined, containerized transportation supply chains, determining the basic rights, duties and liability of all types of transport business entities involved in these shipments taking into account provisions of Council Directive 92/106/EEC of 7 December 1992 on the establishment of common rules for certain types of combined transport of goods between the EU Member States.

Ukraine seeks to develop multimodal transportations, coordinating its policy and priorities with EU's and offers to pay more attention to this issue during the meetings of the Eastern Partnership Transport Panel.

To implement the tasks envisaged by the priority, the Ukrainian side attracts expert and financial assistance under the TRACECA project «Road Safety II» (EU). The funding of project is over 1.9 mln EUR for the period: 01.15.2014 – 01.14.2016.

Marine transport

- In order to **simplify the business environment in the ports of Ukraine**:
 - **The port operator was granted access to the pier, which is in operational control of Ukraine Seaports Administration** (except the pier, which is used by port operator on the basis of lease, concession, joint venture agreement according to the legislation⁴⁷;
 - **The procedures of registration of vessels in seaports were simplified**⁴⁸;
 - **The procedures of obtaining the documents that are required for work on the lands of water fund were simplified**⁴⁹;
 - A series of innovations that increase **the attractiveness and transparency of seaports** were launched. They include amendments to the Procedure of collecting port charges and estimating the port charges rates and to the Procedure of accounting and use of funds collected as the port charges⁵⁰.
- The **Procedure of registration of vessels entering the seaport, authorization for vessels ready for sea and processing vessels exit from the seaport was amended**⁵¹. Mentioned amended foresee:
 - To reduce the number of unjustified delays in vessels entering the seaport and granting authorization for vessels to exit the seaport;
 - To avoid double inspection in seaports of Ukraine of transit vessels going to the inland waterways of Ukraine and vessels that has received the permission to exit seaport of Ukraine.

⁴⁷ Resolution of the Cabinet of Ministers of Ukraine № 483 dated July 7, 2015.

⁴⁸ Resolutions of the Cabinet of Ministers of Ukraine № 491, 492 dated July 7, 2015.

⁴⁹ Resolution of the Cabinet of Ministers of Ukraine № 574 dated July 30, 2015.

⁵⁰ Order of the Ministry of Infrastructure of Ukraine № 281 dated July 24, 2015.

⁵¹ Order of the Ministry of Infrastructure of Ukraine № 387 September 25, 2015.

➤ Ukraine implements measures⁵² to **ratify Maritime Labour Convention, 2006**. Accession to the Convention will allow to:

- Remove barriers in employment of Ukrainian sailors;
- Create for Ukrainian sailors decent conditions of work, recreation and wage;
- All vessels flying the flag of Ukraine freely make a voyage all over the world;
- Avoid to charge fees for placement of sailors;
- Improve the standards of wages and social security of sailors on ships flying the flag of Ukraine;
- Encourage the development of shipbuilding.

The package of acts related to the ratification of the Convention has gone through the public discussion. Internal procedures of adjustment within executive power are in progress.

To implement the tasks envisaged by the priority, the Ukrainian side attracts expert and financial assistance under the TRACECA project «Maritime Safety and Security II» (EU), funding of the project – under 3 mln EUR for the period: 16.01.2013 – 15.01.2016.

Railway transport

➤ To perform Ukraine's obligation articles 367 and 368 of Association Agreement a new version of the draft Law of Ukraine «On the Railway Transport» has been developed. It was developed with the support of the Twinning project «Institutional support to the Ministry of Infrastructure of Ukraine on improving efficiency and competitiveness of rail transport in Ukraine». The adoption of this law and regulations to this law will:

- Create a new model of governance of railway transport;
- Create an «infrastructure operator», which is responsible for its exploitation, modernization and development;
- Ensure state regulation of tariffs for railway infrastructure as the monopoly part of the market;
- Provide free tariff setting in the non-regulated state sector;
- Ensure the transfer of railway tariffs regulation functions to independent regulator - the National Commission for Transport Regulation;
- Introduce European model safety management system in railway enterprises.

The Cabinet of Ministers of Ukraine will soon consider the draft law.

⁵² By now following legislation was drafted:

- Law of Ukraine «On the ratification by Ukraine of Maritime Labour Convention, 2006»;
- Law of Ukraine «On amendments to some legislative acts of Ukraine in connection with the accession to the International Labour Organisation Maritime Labour Convention, 2006»;
- Regulation of the Cabinet of Ministers of Ukraine «On Approval of the Action Plan to ensure the process of Ukraine's accession to the Maritime Labour Convention, 2006 and implementation of its provisions into national legislation of Ukraine».

➤ Preparatory measures for the **establishment of Joint Stock Company «Ukrainian Railways»** were completed. On September 2, 2015, PJSC «Ukrainian Railways» was established (Resolution of the Cabinet of Ministers of Ukraine № 200). It is in the process of registration.

Establishment of PJSC «Ukrainian Railways» will facilitate the fulfilment of Ukraine's obligations under Article 368 of the Association Agreement and will ensure the separation of the functions of the state and economic management of the sector. It will become the precondition for structural reform that is aimed at creation of the vertically integrated management system in PJSC "Ukrainian Railways".

➤ Development of **Technical regulations on safety of railway rolling stock is near completion**. Regulation should define basic requirements for railway rolling stock and its components (which are used on the railways of general and common use with width of 1520 mm and speeds up to 200 km/h) in the design, manufacture, construction, installation, commissioning, exploitation and repair.

Technical regulations also foresee implementation of the Directive 2004/49/EC of the European Parliament and of the Council of 29 April 2004 on safety on the Community's (Railway Safety Directive) and Directive 2008/57/EC of the European Parliament and of the Council of 17 June 2008 on the interoperability of the rail system within the Community.

➤ The **Procedure of verification of tanks with hazardous cargo** was approved⁵³.

Mentioned document was developed according to the Directive 2008/68/EC of the European Parliament and of the Council of 24 September 2008 on the inland transport of dangerous goods and international regulations on the transport of dangerous goods.

Mentioned order defines the procedure for the inspection and labelling of tank wagons, road-tankers, demountable tanks, tank containers, portable tanks, swap body tanks that are used for the transportation of liquid, powder and granular dangerous goods by road, rail, sea and river transport. Order also empowers entities to conduct inspections of tanks.

Road transport

➤ **The draft Law of Ukraine «On Bringing Ukrainian Road Transport Sector Legislation in Accordance with the European Union Acts» has been developed. The Cabinet of Ministers of Ukraine will soon consider the project.**

To implement the tasks envisaged by the priority, the Ukrainian side attracts expert and financial assistance under the Twinning project «Support to the Ministry of Infrastructure of Ukraine in strengthening the safety standards of commercial road transportation» (EU). The funding of the project is over 1.5 mln EUR for the period: 28.01.2015 –27.01.2017.

The draft Law **foresees to implement the standards of fourteen acts of the EU legislation**, where the implementation period is from 1 to 5 years. During this period, more than forty national legislative acts must be developed, amended or cancelled. Provisions of the draft Law are aimed at:

- Introduction of fair and transparent rules for admission of the transport market based on the requirements of good repute, financial state and professional competence;

⁵³ Order of the Ministry of Infrastructure and the Ministry of Interior of Ukraine No. 166/550 dated May 12, 2015.

- Establishment of a system of a periodic safety verification of technical condition of the vehicle through verification procedures of roadworthiness of vehicles and increase responsibility for the accuracy of such inspections;
- Equipment of vehicles with modern means of objective control, systems of active and passive safety (speed limiters, tachographs, seat belts, etc.);
- Reduce corruption through more clearly defined norms of state regulation and division of responsibilities between the executive bodies;
- Improvement of maintenance and repair of vehicles, the organization of technical service businesses;
- Increase responsibility of transporters and drivers for illegal transportation service, introduction of the payable expropriation for the work without a license and/or permit;
- Reform of the system of production and technical regulations in the sphere of vehicles and spare parts (according to the Agreement Concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment, and Parts which can be Fitted and/or be used on Wheeled Vehicles and Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions, done at Geneva on 20 March 1958 and consolidated Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles.

Common Aviation Area

➤ On May 18, 2015, the Minister of Infrastructure of Ukraine was given the **right to sign the Common Aviation Area Agreement between the European Union and its Member States and Ukraine** (Decree of the President of Ukraine № 516).

To ensure the signature of the Agreement, a series of meetings were held with high-ranking EU officials, government officials and diplomats of the United Kingdom and Spain, during which the Ukrainian side declared readiness to sign an Agreement under any options of compromise between Britain and Spain concerning the territorial application of the Agreement in the part of Gibraltar.

European Commission expressed assurance in taking all possible measures to compromise the two concerned countries and the signing of the Common Aviation Area Agreement at the first favourable opportunity.

➤ Ministry of Infrastructure is preparing an **action plan aimed at introduction of a Common Aviation Area between Ukraine and the EU**, which foresees, inter alia, measures for adaptation of Ukrainian legislation to the EU legislation in the aviation sector.

Postal connections

➤ In order to implement the Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service **draft Law of Ukraine «On Amendments to the Law of Ukraine "On Postal connections»** was developed.

The draft Law is being prepared for public discussion.

➤ On August 1, 2015, the Verkhovna Rada of Ukraine **ratified the Protocol on Strategic Environmental Assessment to the Convention on the assessment of the environmental impact in a transboundary context**⁵⁴.

Ratification of the Protocol foresees the planning of the social development and economic activity, taking into account the priority of impact factors on the environment, environmental management and ecosystems sustainability within the strategic decision making (The Protocol reflects the approach adopted at EU level and assigned in the Directive 2001/42/EC).

➤ In order to implement the Aarhus Convention and the Espoo Convention, and to bring national legislation in line with the Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment the draft Law of **Ukraine «On Environmental Impact Assessment» was developed.**

The draft Law establishes the legal and organizational basis of environmental impact assessment, which aimed on environmental damage prevention and preservation, environmental security, environmental protection, rational use and restoration of natural resources within the decision-making on the economic activities, that can have a significant impact on the environment, taking into account the state, public and private interests.

According to the model, proposed in the draft law, assessment of environmental impact will include:

- Preparation of Reports on assessment of environmental impact;
- Organization of public discussion;
- Competent authority analysis of the information provided in the report on assessment of environmental impact, and information received during the public discussion;
- Competent authority will provide the reasoned decision on the assessment of environmental impact, based on the results of this analysis. Mentioned decision is to be considered in the permit, which will provide the basis for the beginning of the planned activity (final decision).

It will allow estimating environmental effects of the planned activity at an early stage, namely before the beginning of this activity. In addition, the draft law will provide:

- Procedure of timely, adequate and effective public awareness raising on the issue of environmental impact;
- Free public access to all information concerning the planned activities;
- The procedure of public discussion;
- Access to the Internet based Unified Register of environmental impact assessment.

In parallel, **identical draft Law of Ukraine «On Environmental Impact Assessment»** was registered by the group of MP in the Verkhovna Rada of Ukraine (reg. № 2009a). Ministry of Ecology and Natural Resources of Ukraine and Government Office for European integration support the draft Law. The draft Law will be provided in the Verkhovna Rada of Ukraine.

⁵⁴ The Law of Ukraine № 562-VIII.

➤ In order to implement Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment and Directive 2003/35/EC of the European Parliament and of the Council of 26 May 2003 providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment, a **draft law of Ukraine «On strategic environmental assessment»** was drafted. The draft law establishes:

- Environment consequences assessment procedure of implementation of State plans, including public health, and development of measures for prevention of possible negative consequences;
- Mechanism for transborder consultations;
- Procedure of providing information about the decision made and information about monitoring of environmental impact of the State plan.

The draft law went through public discussion and now is sent for approval to the central executive bodies.

However, a group of MP in the Verkhovna Rada of Ukraine have registered identical draft law «On strategic environmental assessment» (reg. № 3259). Ministry of Ecology and Natural Resources of Ukraine and Government Office for European integration support the draft law. The draft law will be provided in the Verkhovna Rada of Ukraine.

➤ **Intended Nationally Determined Contribution of Ukraine to a New Global Climate Agreement was approved** (Resolution of the Cabinet of Ministers of Ukraine № 980 dated September 16, 2015). The document foresees that by 2030 greenhouse gas emission in Ukraine will not exceed 60 % the 1990 emission level.

The mentioned contribution will be revised after the restoration of the territorial integrity and sovereignty of the state and adoption of Socio-economic development strategies for the period after 2020 (level of attracted investments will be taken into account).

➤ In order to create the scheme for greenhouse gas emission allowance trading in Ukraine (ETSU) the implementation concept of trade in allowance units of greenhouse gas emissions in Ukraine was developed in accordance to the Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community. The Concept reflects the vision concerning:

- Principles and ways of implementing ETSU;
- Improvement of the legislative framework and institutional organization of relevant activity;
- Procedure for distribution of allowance units for greenhouse gases;
- Expected results and the amount of required resources.

It is assumed that prior to the operational start of ETSU, legal transposition of provision of Directive 2003/87/EC and implementation of its provisions in terms of issuing specific (environmental) permits for greenhouse gas emissions should be made.

Adoption of a separate basic law of Ukraine on the regulation of greenhouse gas emissions from stationary sources and trade in allowance units of greenhouse gas emissions, must come as the first step in the formation of national legislation in this sphere (which will be in compliance with the provisions of Directive 2003/87/EC).

The Concept was approved by the decision of the Working Group under the Ministry of Ecology and Natural Resources of Ukraine on the introduction of trade in allowance units of greenhouse gas emissions in Ukraine and is placed on the official website of the Ministry.

The Concept is currently being finalized on the basis of received proposals. Mentioned basic law is being developed in parallel.

➤ **To implement the tasks envisaged by the priority, the Ukrainian side attracts expert and financial assistance under the projects:**

- «Sustainable management of natural resources in the area between the rivers Tisza and Tur» (EU). The funding of the project is more than 868 thousand EUR for the period: 01.11.2012-31.12.2015;
- «Training of joint Ukrainian-Hungarian comprehensive program to reduce flood levels and floodplains update of Verhne-Tysayskoyi area of Vyshkovo- Vasharoshnamen» (EU). The funding of the project is 1.5 mln EUR for the period: 28.08.2012-27.12.2015;
- «Prevention and protection against flooding in the upper basins of the rivers Siret, Prut through the introduction of a modern system of automatic monitoring stations - EAST AVERT» (EU). The funding of the project is 9.2 mln EUR for the period: 29.11.2013-31.12.2015;
- «Climate Change and Security in Eastern Europe, Central Asia and South Caucasus» (EU), period: 2013-2015.
- «Restore the main waterway E-40 at the site of the Dnieper-Wisla, from strategy to planning» (EU). The funding of the project is 912.6 thousand EUR for the period: 01.12.2013-31.11.2015;
- «Restore melioration network to promote economic growth in rural areas of Volyn region» (EU). The funding of the project is about 1.5 mln EUR for the period 11.09.2014-11.09.2016;
- «Clima East: conservation and sustainable use of peatlands» (UNDP). The funding is 1.8 mln EUR for the period: 09.07.2013-31.12.2016;
- «Consolidation of the protected areas network of biodiversity conservation and sustainable development of the region of the Danube Delta and Lower Prut - PAN Nature» (EU). The funding of the project is about 2.3 mln EUR for the period: 31.12.2013 - 10.31.2015.

Education

- In the framework of reforming the system of higher education:
- **Mandatory form for higher education was cancelled** (degrees), it is envisaged that the documents shall include the information list⁵⁵. Such approach is in compliance with the European practice;

Besides, diploma supplement of European standard was approved which is produced according to the form set up by the European Credit Transfer and Accumulation System, the Council of Europe and UNESCO/CEPES. The aim of this form is to increase transparency and fair approach in recognizing the academic and professional qualifications. Diploma supplement of European standard clearly defines the education system in English.

⁵⁵ Resolution of the Cabinet of Ministers of Ukraine of 31 March 2015 № 193.

- **National Agency for Quality Assurance in Higher Education was established**⁵⁶;

The Agency is an independent collective body which will develop the requirements for the quality assurance in higher education system, analyse the quality of educational activity of institutions of higher education, and shape the quality assessment criteria of educational activity. Establishment of the Agency is a step to decentralization and deregulation of high education sphere in accordance with the best European practices.

- **European principles of forming the state educational standards** were introduced⁵⁷;

The standards formerly provided for the subject list, amount of hours within it, concrete topics necessary for lecturing. The approved amendments provide for the standards including only the categories of final competencies required for a graduating student and the framework items (total training period, final certification etc.) that will encourage the introduction of the European principle of academic autonomy of educational institutions.

- **Mandatory working off norm for graduates and reimbursement of their tuition was abolished** (except those enrolled in the specialties of medical profile)⁵⁸;
- **New orders for the recognition of high education degrees attained in foreign higher educational institutions and recognition in Ukraine the certificates** of secondary, vocational, professional education of foreign educational institutions were approved⁵⁹;

The recognition in Ukraine of foreign certificates of education now is in full compliance with the Convention on the Recognition of Qualifications Concerning Higher Education in the European Region and recommendations of this Convention. Among the main introductions in the recognition process are the following:

- Authorizing the higher educational institutions of Ukraine to carry out the procedure of recognition;
- Applying the simplified procedure of recognition for several categories of foreign educational certificates;
- Applying the method of qualification assessment and determining the equivalence by comparing the international and national qualification framework;
- Higher educational institution determines itself allowable volume of differences in academic programs defined by a comparative analysis of the curriculum content.

New orders entered into force from 26 June 2015.

- **Procedure ensuring the financial autonomy of institutions of higher and vocational education was regulated**⁶⁰;

Educational institutions are authorized to spend funds to support the educative process or update the material and technical base without the consent of the State Treasury. The universities can henceforth decide themselves where first and foremost to direct the funds after receiving the state financing or money for paid services.

Besides, **from January 2016 the Ukrainian educational institutions will acquire a right to place**

⁵⁶ Resolution of the Cabinet of Ministers of Ukraine of 15 April 2015 № 244

⁵⁷ Resolution of the Cabinet of Ministers of Ukraine of 15 April 2015 № 229.

⁵⁸ Resolution of the Cabinet of Ministers of Ukraine of 15 April 2015 № 216.

⁵⁹ Order of the Ministry of Education and Science of 5 May 2015 № 504.

⁶⁰ Resolution of the Cabinet of Ministers of Ukraine of 26 August 2015 № 657.

funds received for paid services on deposit accounts of state banks. This will provide an opportunity to create special money funds and spend interest received for educational activity. Such practice is important for financial autonomy of educational institutions.

- **Procedure of reimbursement of state budget funds when transferring a student to study in another educational institution was regulated⁶¹;**

Calculation of the funds to be reimbursed is monitored clearly according to the government resolution formula. The amount to be reimbursed may be restructured at the request of the student; the first payment shall be at least half the amount of compensation.

Moreover, the students are guaranteed the right to retake into consideration, upon new place of study, the previous subjects and credits of the European Credit Transfer and Accumulation System (ECTS).

- **Procedure for exercising the right of the educational process participants to learn, teach, train or conduct research activities in another higher education institution (scientific establishment) in Ukraine or abroad was regulated⁶²;**

Procedure for exercising the right to participate in the academic mobility programs by all the participants of educational process was regulated, in particular:

- Kinds and forms of academic mobility have been clearly determined;
- Mechanism of considering the acquired credits on the basis of the ECTS by comparing the curriculum content regardless of the name of courses has been stipulated;
- Social guarantees for the participants of academic mobility programs have been determined (grant/wage payment, preservation of study/ work place).

➤ Work at the **Roadmap for Education Reform** is at closing stage. In September 2015, the document was available for public discussion on the official website of the Ministry of Education and Science.

The Roadmap for Education Reform, which was elaborated with expert participation, sets up the concrete detailed measures and establishes timeframe for reforming the educational system in Ukraine until 2025.

- Government approved a new draft law «On education».⁶³

To implement the tasks envisaged by the priority the Ukrainian side attracts expert and financial aid within the Decentralization Support in Ukraine Project (Sweden). The financing is 31.7 mln SEK for the period: 08.09.2014 – 31.12.2017.

⁶¹ Resolution of the Cabinet of Ministers of Ukraine of 26 August 2015 № 658.

⁶² Resolution of the Cabinet of Ministers of Ukraine of 12 August 2015 № 579.

⁶³ Draft Law of Ukraine was submitted to Parliament (reg. № 3491).

Cooperation on youth policy

➤ **The Concept of the State Target Social Programme «Youth of Ukraine» for 2016 –2020 was approved⁶⁴.**

The Concept, in accordance with the provisions on youth policy of the Association Agreement, the priorities of the State Target Social Programme «Youth of Ukraine» includes, in particular:

- Public position formation;
- Healthy and safe lifestyle;
- Development of non-formal education;
- Youth employment.

Besides, the partner support for young people living in the temporary occupied territory of Ukraine, and internally displaced persons is determined as a priority of this Programme.

The draft State Target Social Programme «Youth of Ukraine» for 2016 –2020 is available on the website of the Ministry of Youth and Sports for public discussion.

➤ The Association Agreement stipulates for cooperation of the sides in the sphere of non-formal education.

With the purpose of **introducing the relevant legislative regulation of non-formal education into the Ukrainian legislation** a draft Law of Ukraine «On Amendments to Certain Laws of Ukraine (on the recognition of non-formal education)» was registered (reg. № 2121).

The draft Law provides for the recognition of non-formal and informal education (self-organized, self-education) as varieties of education in Ukraine, recognition of non-formal education acquired by the volunteers in organizations and institutions and securing of the volunteers' right for consideration of the fact of obtaining non-formal education when becoming a civil servant.

➤ In the framework of the «Youth in Action» Programme the **European Commission has allocated extra funding for the support of the Eastern Partnership states cooperation in 2016 in the form of initiatives «The Eastern Partnership Youth Window».**

«The Window» will give six Eastern Partnership participant-states a chance, in particular for Ukraine, to attract extra funding aimed at supporting the youth measures and projects and to apply for implementation of such projects directly in the Eastern Partnership states.

Cooperation on science and technology

➤ **The Agreement** (in form of exchange of notes) between Ukraine and the European Union **on the renewal of the Agreement between Ukraine and the EU on scientific and technological cooperation** (the Law of Ukraine № 602-VIII) **was ratified** on July 15, 2015.

The Agreement establishes a legal framework and defines the major principles, areas and forms of Ukraine-EU cooperation in the field of scientific and technological research. To ensure coordination and promote of cooperation in the framework of the Agreement acts a joint committee.

⁶⁴ Resolution of the Cabinet of Ministers of Ukraine № [1018](#) of September 30, 2015.

➤ The **Agreement between Ukraine and the EU on Ukraine's participation in the EU Program «Horizon 2020»** – Framework Program on Research and Innovation (2014-2020)⁶⁵ (the Law of Ukraine № 604-VIII) was ratified on July 15, 2015. The main priorities of the Programme «Horizon 2020» are:

- Promotion to fundamental scientific research;
- Increasing the competitiveness of the industry sector;
- Development of ICT, nanotechnologies, new materials science, biotechnologies and space industry;
- Solution of the most pressing social challenges in health, ecology and demography.

The total amount of funding in support for research and innovation in the framework of the Programme is about 80 bln EUR.

Associated participating in the program will expand opportunities for participation of Ukrainian scientists, universities, research organizations in joint European researches and promote the development of partnership relations in science and research between Ukraine and the EU.

On October 13, 2015, the European Commission approved topics and tender procedure of the Programme "Horizon 2020" for the years 2016-2017 with a budget of 16 billion EUR. The funds will be allocated over two years through calls for proposals, tenders, awards, and other funding instruments that totally cover over 600 topics. The relevant calls for 2016 started.

➤ In order to expand cooperation with the EU in research and technology as well as to raise awareness about «Horizon 2020» **created contact points of this Programme at higher educational establishments, scientific institutions, enterprises and public organizations.**

➤ In order to improve legislation in the field of scientific and technical activities, its approximation to the principles governing this area in the EU Member States, **a new edition of the Law of Ukraine «On scientific and technical activity»** (*reg. № 2244a*) was developed and submitted to the Verkhovna Rada of Ukraine. The draft law is aimed at:

- Introduction of new organizational forms and infrastructure of scientific and technical activities;
- Ensuring the efficiency and transparency of scientific researches (developments) and their financing;
- Increasing efficiency of interaction between members of the scientific community, governmental agencies and the real economy in the formation and implementation of joint state policy in the field of scientific and technical activities;
- Establishment of common legal principles for the commercialization of results in basic researches, applied researches, scientific and technical (experimental) developments carried out by public research institutions.

➤ Consultations **on Ukraine's associated participation in research and training programs of Euratom** (within the EU Program «Horizon 2020») continues. The size of Ukraine's contribution to the budget of the Program is currently being discussed.

Information Days of research and training program Euratom were held in Kharkiv on September 8-9, 2015. During these events, the representatives of the European Commission presented the perspective research directions on 2016-2017 in the field of nuclear energy, nuclear safety and nuclear synthesis.

⁶⁵ Agreement signed on March 20, 2015

➤ **Mandatory sale of foreign currency for projects under the agreements on Ukraine's participation in international programs of the EU were cancelled**⁶⁶.

From now, the requirement for mandatory sale of foreign exchange earnings in the interbank market does not apply to projects that are carried out based on agreements on Ukraine's participation in international programs of the EU. In addition, this no longer applies to grants of legal entities-residents received from international financial institutions.

Cooperation on space matters

➤ Due to the setting up of cooperation with the Joint Research Centre of the European Commission since October 2015 **has been started imaging of Ukraine's landscape using the spacecraft Earth remote sensing Sentinel.**

The data of satellites processed by the National center for control and testing of space means of Ukraine are used for surveillance of land, quality of crops, weather forecasting including humidification and prevention of natural disasters.

Social policy

- **Introduction of the reform of the social insurance system**⁶⁷, according to which:
- The social insurance system is exempted from non-core payments and functions what allowed to save about 1,8 bln UAH in 2015;
 - Method of determination of the amount of insurance payouts has been improved in order to strengthen the economic feasibility and to avoid abuses when identifying the degree of work disability;
 - Rights of insured persons, who moved from the temporarily occupied territory or regions of the antiterrorist operations, to obtain material security and social services at the place of their actual residence has been preserved;
 - Rate of a single social payment for the employer to the Payroll Fund in order to legalize salaries has been lowered;
 - The Social insurance fund of Ukraine has been established by merging Social Insurance Fund against accidents at work and occupational diseases that caused disability of Ukraine and Social insurance fund on temporary disability;
 - Legislative proposals to support operations of the newly established Social Insurance Fund of Ukraine (reg. № 2775) have been developed.

⁶⁶ Resolution of the National Bank of Ukraine of October 22, 2015 № 718 «On Amendments to Resolution of the Board of the National Bank of Ukraine of 3 September 2015 № 581».

⁶⁷ Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine regarding Reform of Compulsory State Social Insurance and Legalization of Payroll» (№ 77-VIII).

➤ To improve the mechanisms of state regulation of external labour migration sphere in accordance with the modern requirements of social and economic development of the country, and with purpose of approximation of the Ukrainian migratory legislation to the international law, **the Law of Ukraine «On external labour migration» has been passed by the Verkhovna Rada of Ukraine»** (reg. № 2330a) as well as the Law of Ukraine «On Amendments to the Labour Code of Ukraine (concerning the harmonization of the Ukrainian legislation in the sphere of combating discrimination with the EU law)» (reg. № 3442).

The adoption of these Laws is a criterion of implementation of the recommendations expressed in the fifth report of the European Commission on Ukraine's progress in the Visa Liberalisation Action Plan implementation.

➤ The draft law of Ukraine, which foresees systematization of conditions for pension's obtainment, was submitted to the Verkhovna Rada of Ukraine. The draft Law encloses conditions which are currently dispersed in more than 20 laws, and purposes to regulate the obtainment of pension of all types by one general law as well as to abolish the special pensions, to introduce the accumulative system of pension insurance of the second level and to improve the functioning of solidarity system (reg. № 2767)

➤ **Amendments to the legislation on employment of disabled people** (reg. № 2322a), provided:

- Introducing incentive mechanisms for employers with the purpose of employment of people with disabilities;
- Providing subsidies to employers to create general jobs for people with disabilities (not only the creation of special jobs as provided by current legislation);
- Providing compensation to the employers associated with payment of a single fee for obligatory state social insurance for workers with disabilities.

The adoption the draft Law will allow persons with disability to exercise their right to work according to the United Nations Convention on the Rights of Persons with Disabilities and the Convention of the International Labour Organization in 1983 on professional rehabilitation and employment of disabled people № 159.

Industry and business

➤ The Moratorium on inspections by regulatory authorities of enterprises, institutions and organizations, individual entrepreneurs with income up to 20 mln UAH to the previous calendar year has been prolonged before the end of 2016. Currently, the inspections are possible:

- Upon authorization of the Cabinet of Ministers of Ukraine;
- Upon the application of the entity;
- In the order, specified by the Criminal Procedure Code of Ukraine.

According to the State Registration Service of Ukraine, the number of inspections in the first half of 2015 compared to the same period in 2014 decreased by 85 percent.

➤ Measures are being taken for **Ukraine`s accession to the EU Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)**.

Ukraine's participation in the COSME (a planned budget of 2.3 bln EUR) will facilitate economic presence of Ukrainian exporters on EU markets, create favorable conditions to establish a free trade area between Ukraine and the EU, the general improvement of the regulatory environment and business climate in Ukraine. Ukraine's participation in the Programme involves the payment of a financial contribution up to 645 thousand EUR annually.

The consultations with Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) on Ukraine's accession to the Programme (on the draft Agreement and the contribution rate of Ukraine) were held on June 30, 2015.

For the purpose of assignments, envisaged priority, Ukrainian Party involves expert and financial assistance within the following projects:

- «Leadership in economic governance (LEV)» (USA). The funding of the project is 5 mln USD for the period: 19.12.2014 - 12.18.2019;
- «Strengthening SME Business Membership Organizations». The purpose of the project is to accelerate the development of the SME sector in Ukraine by strengthening the capacity of business membership organizations that provide effective activity and stability of these institutions in the medium and long term;
- «Partnership for Innovation project «Development of Family Farms United in Agricultural Services Cooperatives» (USA). The funding of the project is – 1.36 mln USD for the period: 01.07.2015 - 07.31.2017;
- «Development silos and Agricultural Cooperatives in Ukraine» (Canada). The funding of the project is 13.3 mln CAD for the period: 26.03.2013-28.02.2018;
- «Ukrainian project business Horticulture Development» Canada). The funding of the project is 19.3 mln CAD for the period: 08.07.2014 - 03.31.2021;
- «The development of the dairy business in Ukraine» (Canada). The funding of the project is 19.7 mln CAD for the period: 01.04.2014-31.03.2021.

Financial services

➤ **The transparency of activity of financial market participants has been strengthened** by means of disclosure of information on their activities in the public database of State Commission for Regulation of Financial Services Markets of Ukraine and on license holders' websites on the Internet.

The issue has been regulated by the Law of Ukraine «On Amendments to the Law of Ukraine «On Financial Services and State Regulation of Financial Services» (№ 123-VIII).

➤ **The Comprehensive Program of Ukraine's Financial Sector Development until 2020 has been adopted** (approved by the National Council of Reform of Ukraine, Board of the National Bank of Ukraine, National Securities and Stock Market Commission, National Commission for State Regulation of Financial Services Markets).

The Program is a comprehensive document which sets objectives of the financial sector reforms and provides for the implementation of normative measures and measures on implementation of EU legal acts defined in the Association Agreement. Having regard to the above, the Program can serve as a roadmap for the implementation of Ukraine's obligations resulting from the Agreement.

On October 6, 2015, the Comprehensive Program (in English) was submitted to the EU side for qualification its provisions with roadmaps requirements specified in the Association Agreement.

For the purpose of assignments, envisaged priority, Ukrainian Party involves expert and financial assistance within the following projects:

- «The Financial Sector Development Program» (FINREP II) (USA). The funding of the project is 12.4 mln USD for the period: 01.10.2012-30.09.2017;
- «Technical assistance in the financial sector's priority area» (EU). The funding of the project is 3.36 mln EUR for the period: 27.03.2015-26.03.2018.

Public health

➤ In order to **create legal framework for healthcare reform**, on 7 July 2015 the following draft Laws of Ukraine were submitted to the Parliament of Ukraine:

- «On amendment of some legal acts of Ukraine concerning improvement of healthcare legislation» (reg. № 2309a);
- «On amendment of subsection 4 of section XX «Transitional Provisions» of the Tax Code of Ukraine concerning improvement of healthcare legislation» (reg. № 2310a);
- «On amendment of Budget Code of Ukraine concerning improvement of healthcare legislation» (reg. № 2310a).

The draft laws envisage in particular:

- Change of organizational and legal status of healthcare facilities and their financing;
- Creation of a network of state and communal healthcare facilities with a sufficient level of independence;
- Introduction of contract relations between a customer and a provider of healthcare services.

In order to implement the tasks envisaged by the priority, the Ukrainian party draws on expert and financial support of the following projects:

- «Consulting on HIV/AIDS and support of institutions» (FRG). The The funding of the project is 3.5 mln EUR for the period: 01.11.2013 – 31.12.2015;
- «Mother and child health program» (Swiss Confederation). The funding of the project is 6.235 mln Swiss francs for the period: 04.05.2015 – 31.12.2015;
- «Strengthening of control over tuberculosis in Ukraine» (USA). The funding of the project is 17.863 mln USD for the period: 04.02.2012 – 01.04.2017;
- «Involving of local organizations into the monitoring and evaluation of response to HIV/AIDS epidemic» (USA). The funding of the project is 7.499 mln USD for the period: 30.09.2012 – 31.03.2018;
- «Access of communities to HIV care and treatment services through strengthening of healthcare systems (ACCESS)» (USA). The funding of the project is 4.436 mln USD for the period: 30.09.2012 – 31.03.2018;
- «Systems of enhanced access to medicines and pharmaceutical services» (USA). The funding of the project is 8 mln. USD for the period: 01.10.2012 – 22.09.2016;
- «Strengthening of healthcare system in order to ensure sustainable response to socially hazardous illnesses» (USA). The funding of the project is 17.997 mln USD for the period 01.10.2013 – 30.09.2018.

Culture

➤ **Consultations on Ukraine's participation in the EU «Creative Europe» are finished.**

The Agreement between Ukraine and the European Commission on the participation of Ukraine in the EU programme «Creative Europe» has been signed on November 19, 2015, coinciding with the visit of the EU Commissioner for Education, Culture, Youth and Sport T. Navracsics to Ukraine.

The programme «Creative Europe» aims to promote creative development, implementation of diverse cultural projects and cooperation in the field of media and film industry. The approximate funding of the programme is 1.46 bln EUR.

➤ Ukraine is currently working on the **accession to the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM)**, which would enhance cooperation between Ukraine and the EU in international forums / organizations as well as develop cultural diversity and contribute to the conservation and evaluation of cultural and historical heritage of Ukraine.

The draft Law of Ukraine's accession to the **ICCROM (№0061)⁶⁸** has been already submitted to the Verkhovna Rada of Ukraine.

Ukraine's participation in **ICCROM** will boost the exchange of experience and training of Ukrainian specialists in the field of conservation and restoration of cultural heritage using the latest technology.

In order to implement the priority tasks, the Ukrainian side involves expert and financial assistance under the «Bibliomist-Ukraine Global Libraries Program» (USA). The funding of the project of the project is 19.3 mln of USD for the period: 11.11.2009 – 31.12.2015.

Information society and audio-visual policy

In order to implement the priority tasks, the Ukrainian side involves expert and financial assistance projects:

- «Ukrainian media project (U-Media)» (USA). The funding of the project is 15.85 mln USD for the period: 10.01.2011 – 30.09.2016;
- «Strengthening the Information Society in Ukraine» (EU). The funding of the project is 2.76 mln EUR for the period: 21.01.2014 – 20.12.2015;
- «Partnership in Information Security» (EU). The funding of the project is 150.090 EUR for the period: 09.01.2014 – 31.08.2017.

Agriculture and rural development

➤ **The concept of rural development⁶⁹** defines the priorities for the development of rural areas by 2025. The concept is aimed at shifting the focus from agricultural state policy of support of the agricultural sector to the support of rural development.

⁶⁸ Approved on October 7, 2015 and signed by the President of Ukraine.

⁶⁹ Approved by Resolution of the Cabinet of Ministers of Ukraine of 23 September 2015 № 995.

It is assumed that the concept will be realised by means of reforming the management system, improving the state agrarian policy, institutional environment, organizational and economic mechanism, financial and information support as well as government support for rural development.

It is determined that for the fulfilment of the concept the measures will be developed in the following areas:

- Improvement of the quality of life of the rural population through:
 - Ensuring the availability of social services to citizens;
 - Providing incentives and appropriate conditions for young professionals to work and to live in the village;
 - Construction of modern transport infrastructure and telecommunications development;
 - State support for the development of public utilities and individual housing construction in rural areas;
 - The development of a network of medical, sports, and culture facilities;
- Protection and conservation of natural resources in rural areas, including:
 - The development of the nature reserve fund with the involvement of local communities and businesses;
 - Support of the production of energy from alternative sources;
- Diversification and development of the rural economy, including:
 - Creating conditions for the development of various kinds of forms of management;
 - The development of tourism and recreation activities in rural areas;
 - Improvement of the tax and budget system, simplifying access for rural population to financial resources;
- Improvement of the management of rural areas by means of:
 - Legislative support for rural development;
 - Strengthening the role of local communities in the planning and implementation of the rural development measures;
- Education and information and advisory support.
 - In order to **switch from the use of national standards for food products**, which are optional in nature, **to EU practices, namely the establishment of minimum quality indicators for certain products**, there has been started the development of:
 - Requirements for certain quality indicators of cocoa and chocolate products intended for human consumption;
 - Requirements for certain quality indicators of honey.

Cross-border and regional cooperation

➤ The Government developed and **submitted to the Verkhovna Rada the draft law** of Ukraine «On Amendments to Certain Legislative Acts of Ukraine Relating to **Euroregional Cooperation Groupings**» (reg. № 2787).

The draft law is aimed at legislative regulation of introducing a new form of cross-border cooperation bodies – Euroregional Cooperation Groupings (ECGs), as stipulated in Protocol № 3 to the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (Madrid Convention) concerning Euroregional Co-operation Groupings.

The draft law foresees to empower local executive authorities and local governments to create or to join existing Euroregional Cooperation Groupings.

MAJOR FURTHER ACTIVITIES PLANNED

Based on the review of progress in implementation of the Association Agenda and the Agreement, additionally to the tasks, determined by strategic documents, primarily the Association Agreement Implementation Action Plan for the period of 2014-2017 and plans for implementation of the EU legislation acts, further major activities need to be accomplished:

Priorities of the Association Agenda

Constitutional reform

- To adopt the draft Law of Ukraine:
 - «On Amendments the Constitution of Ukraine (Relating to the Decentralization of Powers)» (reg. № 2217a).

Preventing and combating corruption

- To adopt the draft Laws of Ukraine:
 - «On Amendments to the Constitution of Ukraine (relating to the Immunity of the MPs and Judges)» (reg. № 1776);
 - «On Amendments to Some Laws of Ukraine on Access to Public Information to Improve Certain Provisions» (reg. №2913);
 - «On Amendments to the Code of Ukraine on Administrative Offences to Strengthen State Control over the Compliance with the right to access to public information, protection of personal data and appeals of citizens» (reg. № 2043a).

Judicial reform

- To adopt the draft Laws of Ukraine:
 - «On Enforcement Proceedings» (reg. №2507a);
 - «On the Bodies and Persons Engaged in the Enforcement of Judgments and Decisions of other Bodies» (reg. № 2506a).

Public administration reform

- To adopt the draft Laws of Ukraine:
 - «On Civil Service» (reg. № 2490);
 - «On Service in Local Self-Government Bodies» (reg. № 2489).
- To finalize drafting and adopt a Strategy on Public Administration Reform in Ukraine for the years 2015 – 2020.

Deregulation

- To adopt the draft Laws of Ukraine:
 - «On State Registration of Rights to Real Estate and Their Encumbrances» (reg. № 2982);
 - «On state registration of legal entities and individuals - entrepreneurs and community groups» (reg. № 2983);
 - «On amendments to some laws of Ukraine on bankruptcy (concerning European standards in restoring solvency of the debtor and facilitating business in Ukraine)» (reg. № 3163).

Reform of public procurement

- To transfer all public procurement in electronic format, in particular to adopt the Law of Ukraine «On public procurement»;
- To agree with the EU side the developed roadmap for the implementation of the provisions of the EU Directives in public procurement (with the definition of phases of implementation, milestones, deadlines and responsible persons);
- To access the EU public procurement markets.

Energy sector reform

- To complete the adoption of the package of bills aimed at introducing a new model of the gas market:
 - «On Amendments to Certain Legislative Acts of Ukraine on creating the conditions for the natural gas market functionality» (reg. № 3325);
 - «On Amendments to the Tax Code of Ukraine on creating preconditions for a new model of the natural gas market» (reg. № 3073);
 - «On amendments to the Customs Code of Ukraine on creating preconditions for a new model of the natural gas market» (reg. № 3074);
- To adopt the draft Law of Ukraine:
 - «On the National Commission for State Regulation of Energy and Public Utilities» (reg. № 2966).
- To complete development and adopt the Law of Ukraine «On the electricity market» to bring national legislation in line with the provisions of Directive 2009/72/EC concerning common rules for the internal market in electricity and Regulation (EC) No 714/2009 of the on conditions for access to the network for cross-border exchanges in electricity;
- To adopt the Law of Ukraine «On Amendments to Article 8 of the Law of Ukraine «On alternative fuel types»;
- To draft the Law of Ukraine:
 - «On crude oil and petroleum products minimum stocks»;
 - «On peculiarities of corporatization of state enterprise» National Nuclear Energy Generating Company «Energoatom».
- To complete development and adopt the State target economic program of the development of Ukraine's nuclear industrial complex in 2016-2020.

Political Dialogue

- To adopt draft Laws of Ukraine:
 - «On Amendments to Article 124 of the Constitution of Ukraine (concerning recognition of the provisions of the Rome Statute)» (reg. № 1788);
 - «On maintenance services and service centres of the Ministry of Internal Affairs of Ukraine» (reg. № 2567);
 - «On amendments to some legislative acts of Ukraine concerning the enforcement of criminal penalties and the rights of prisoners» (reg. № 2490).
- To complete the development and adoption of a draft Law of Ukraine «On Road Traffic and its safety».
- To conclude and adopt the Road Safety Action Plan to 2020.
- To conclude and adopt the Strategy of training, retraining and advanced training of civil servants and local government officials in the field of European integration.

Justice, Freedom and Security

- To complete elaboration and adopt the Development Strategy of the State Border Guard Service of Ukraine;
- To complete building and equip the temporary detention centres of illegal migrants and specially equipped premises by the border protection authorities within the framework of READMIT-1 project;
- To complete building and equip in the Donetsk and Mykolajiv regions the temporary residence centres of foreigners and stateless persons who illegally stay in Ukraine, in particular the building of external engineering networks within the framework of the READMIT-1 project implementation;
- To complete the first line of reconstruction of the temporary residence centre of foreigners and stateless persons who illegally stay in Ukraine in the village of Zhuravychi of the Kivertsi district of the Volyn region and reconstruction of the first launch complex of such centre in the village of Rozsudiv of the Ripkynsk district of the Chernihiv region;
- To put in operation the temporary accommodation centre of refugees in the town of Yahotyn of the Kyiv region;
- To create a reception and accommodation centre for refugee children, children who are recognized as persons in need of additional protection, and children separated from their families, who have applied for recognition as refugee or person in need of additional protection, on the basis of temporary accommodation centre of refugees in the town of Yahotyn of the Kyiv region;
- To create social integration centres of refugees and persons in need of additional protection in the cities of Kyiv, Kharkiv, Odesa.

Technical Regulations

- To prepare a comprehensive assessment of equivalence of technical regulation to the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACCA).

Sanitary and Phytosanitary Regulations

- To adopt the draft Laws of Ukraine:
 - «On feed» (reg. № 2845-1);
 - «On amendments to some legislative acts of Ukraine on animal identification and registration» (reg. № 1484);
 - «On State Control carried out to verify compliance with the law on safety and quality of food and feed, animal health and welfare» (reg. № 0906).
- To prepare and complete coordination with the EU side the Strategy for implementation of legislation in the field of sanitary and phytosanitary regulations.

Customs and Trade Facilitation

- To adopt the draft laws of Ukraine:
 - «On Amendments to the Tax Code of Ukraine regarding peculiarities of the value added taxation of operations to import into Ukraine of goods by individuals in cabin baggage and / or accompanied baggage» (reg. № 3470);
 - «On Amendments to the Customs Code of Ukraine (concerning the implementation of the Association Agreement between Ukraine and the EU)» (reg. № 3444).
- To develop and submit to the Cabinet of Ministers draft regulations aimed at:
 - Implementation of Council Regulation (EC) № 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, without prejudice to the results of current review of EU legislation concerning customs coverage of intellectual property rights;
 - Implementation of Commission Regulation (EC) No 1891/2004 of 21 October 2004 laying down provisions for the implementation of Council Regulation (EC) No 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, without prejudice to the results of current review of EU legislation concerning customs coverage of intellectual property rights;
 - Ratification of the Convention concerning simplification of formalities in trade in goods from 20 May 1987 and the Convention on a common transit procedure from May 20, 1987 (as amended) by the Parliament of Ukraine and bringing national legislation into line with their provisions;
 - Implementation of Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the Community Customs Code.

Establishment of business activities, trade in services and e-commerce

- To adopt the Law of Ukraine «On electronic trust services» (reg. № 2544a)
- To develop the draft laws:
 - «On strengthening the independence and administrative capacity of the national regulator in the field of communications in order to ensure its ability to implement appropriate regulatory measures and to implement their own solutions as well as all relevant standards»;
 - «On facilitation of access to the electronic communications market in order to ensure the approximation of national legislation to the provisions of Directive № 2002/20/EC (Authorisation Directive), amended by Directive № 2009/140/EC of the European Parliament and of the Council of 25 November 2009 regarding the implementation of procedures of the general authorization and restrictions to issue individual licenses in separate reasonable cases».
- To develop:
 - Roadmap on approximation of Ukrainian legislation to the EU law in the field of postal and courier services;
 - Roadmap on approximation Ukrainian legislation to the EU law in the field of international maritime transport.

Intellectual property

- To adopt the draft Law of Ukraine «On amendments to some legislative acts of Ukraine on protection of copyright and related rights on the Internet» (reg. № 3353);
- To complete the development and adoption of the draft Law of Ukraine «On amendments to the Customs Code of Ukraine on protection of intellectual property rights when moving goods across the customs border of Ukraine»;
- To work out with the EU side the issue of providing the EU technical assistance for ensuring the protection of EU geographical indications listed in Annex XXII-C and XXII-D of the Association Agreement.

Competition

- To adopt the draft Law of Ukraine:
 - «On Amendments to the Law of Ukraine «On Protection of Economic Competition» (to improve the effectiveness of the control of economic concentrations)» (reg. № 2168).

Transparency

- To identify or create contact points the processing the requests for information on specific FTA relating issues that are connected to the measures of general application.

Trade and sustainable development

- To establish an advisory group on sustainable development in order to develop recommendations for implementation the provisions of Chapter «Trade and Sustainable Development» of Association Agreement. Formation of the representatives list who will be members in the Group of experts on trade and sustainable development.

Dispute settlement

- To determine the order of formation the representatives list of Ukraine that must be approved by the Committee for Trade, as arbitrators to form the arbitration group in accordance with Article 307 of the Agreement.

Economic and Sector Cooperation
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Economic reform

- To adopt the draft Laws of Ukraine:
 - «On amendments to certain legislative acts of Ukraine regarding the empowerment of local governments and optimization of administrative services» (reg. № 2984);
 - «On amendments to Article 52 of the Budget Code of Ukraine (regarding rules of amending the budget)».

Statistics

- To adopt draft Laws of Ukraine:
 - «On amendments to certain laws of Ukraine which regulate the state statistic activity».

Environment

- To adopt the draft Laws of Ukraine:
 - «On assessment of environmental impact» (reg. № 2009-a);

The draft law will ensure the prevention of damage of those projects and programs that could have a negative impact on the environment. It responds to the requirements of Directives № 2011/92 / EC, № 2003/4 / EC, № 2003 / 35 / EC, and to the Convention on the assessment of the environmental impact in a transboundary context (Aarhus Convention, 1991) and the Convention on access to information, public participation in decision-making process and access to justice in environmental matters (Aarhus convention 1998);

- «On strategic environmental assessment» (reg. № 3259);

The draft law will provide a mechanism for establishing strategic environmental assessment as required by Directive 2001/24 / EC of the European Parliament and of the Council of 27 June 2001 on the environmental assessment of effects of certain plans and programs).

Transport

- To elaborate and adopt draft Laws of Ukraine:
 - «On the multimodal transportation».
 - «On railway transport» (new edition);
 - «On the approximation of the Ukraine's legislation on road transport to the legislation of the European Union».
- To finalize elaboration and to adopt the Action Plan on introduction of a Common Aviation Area with the European Union.

Legislation on establishment and functioning of companies, corporate management, accounting and audit

- To adopt the draft Law of Ukraine:
 - «On accounting and financial reporting in Ukraine» (reg. № 2486).

Cooperation in the field of employment, social policy and equal opportunities

- To adopt the draft Laws of Ukraine:
 - «On amendments to some legislative act of Ukraine on introduction of a funded system of mandatory state pension insurance and common principles of calculating pensions» (reg. № 2767);
 - «On amendments to some legislative acts of Ukraine on employment of disabled persons» (reg. № 2322).
- To develop and adopt strategy to overcome poverty.

Public Health

- To adopt the draft Law of Ukraine:
 - «On amendments to some legislative acts of Ukraine concerning improvement of legislation on health» (reg. № 2309a).
- To elaborate and adopt draft laws of Ukraine:
 - «On amendments to subsection 4 of section XX «Transitional Provisions» of the Tax Code of Ukraine on improvement of legislation on health» (reg. № 2310a);
 - «On amendments to the Budget Code of Ukraine on improvement of legislation of Ukraine on health» (reg. № 2310).

Science and Technology

- To adopt the draft law of Ukraine «On scientific and technical activity» (new edition) (reg. № 2244a).

Education, training and youth

- To adopt the draft Laws of Ukraine:
 - «On Education» (new edition) (reg. № 3491);
 - «On amendments to some laws of Ukraine (on recognition of non-formal education)» (reg. № 2121);
- To develop the State program on youth policy until 2020;
- To ensure integration of the National Technology Transfer Network to the European networks.

Culture

- To develop and adopt the Strategy of culture development until 2025;
- To start implementation of the Agreement on the participation of Ukraine in the EU Program «Creative Europe» (2014-2020);
- To finalize enactment and start work in frames of the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM).

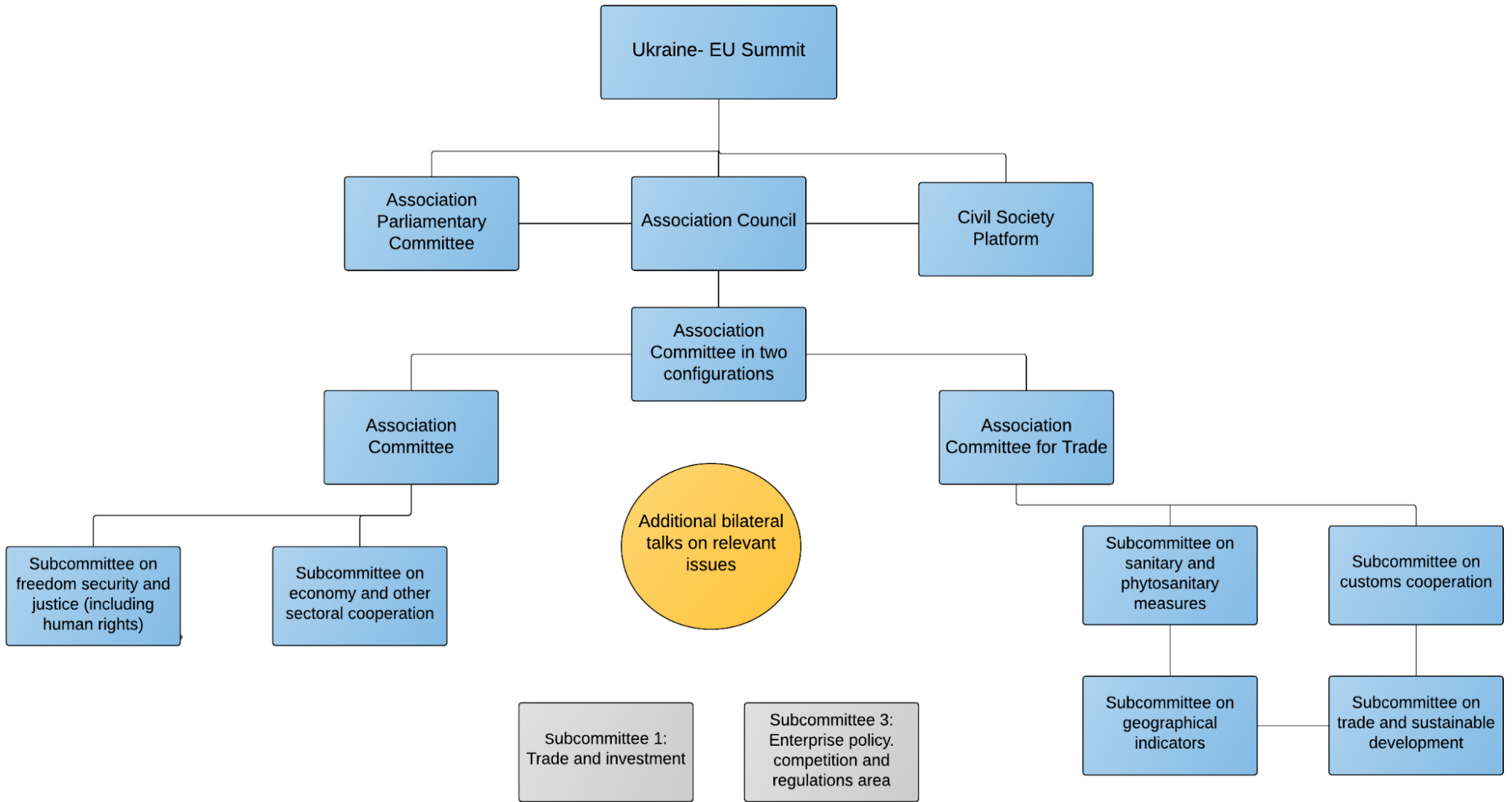
Transborder cooperation

- To adopt the draft Law of Ukraine:
 - «On amendments to some legislative acts of Ukraine on Euroregional Cooperation Groupings» (reg. № 2787).

Cooperation in the sphere of sports and physical education

- To develop Concept of development of physical culture and sport in Ukraine until 2020.

Bilateral bodies of the Association Agreement



National mechanism for coordination of European integration process

